

By Mr. RAKER: A bill (H. R. 8019) for the relief of needy Indians of California; to the Committee on Appropriations.
By Mr. LANKFORD: A bill (H. R. 8020) to amend the War Finance Corporation act as amended, and for other purposes; to the Committee on Banking and Currency.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BEGG: A bill (H. R. 8021) granting a pension to Ethel England; to the Committee on Pensions.

By Mr. ECHOLS: A bill (H. R. 8022) granting a pension to Julia A. Hatcher; to the Committee on Pensions.

By Mr. EDMONDS: A bill (H. R. 8023) for the relief of the Chinese Government; to the Committee on Claims.

By Mr. FAIRFIELD: A bill (H. R. 8024) to provide for the retirement of Isaac N. Keller; to the Committee on Reform in the Civil Service.

By Mr. GENSMAN: A bill (H. R. 8025) for the relief of J. W. Harrell; to the Committee on Claims.

By Mr. HILL: A bill (H. R. 8026) for the relief of Frederick Hasiedel; to the Committee on Claims.

By Mr. HOUGHTON: A bill (H. R. 8027) granting an increase of pension to Sarah Bennett; to the Committee on Invalid Pensions.

By Mr. KLINE of New York: A bill (H. R. 8028) for the relief of the estate of Catherine Locke, deceased; to the Committee on Claims.

By Mr. McPHERSON: A bill (H. R. 8029) granting a pension to Seaborn A. Frost; to the Committee on Pensions.

By Mr. MONTOYA: A bill (H. R. 8030) for the relief of Joseph B. Tanner; to the Committee on Claims.

By Mr. REECE: A bill (H. R. 8031) granting a pension to John J. Mahan; to the Committee on Pensions.

Also, a bill (H. R. 8032) granting an increase of pension to Lettie Stuart; to the Committee on Pensions.

By Mr. RICKETTS: A bill (H. R. 8033) granting a pension to Cora L. Dilger; to the Committee on Invalid Pensions.

By Mr. WARD of North Carolina: A bill (H. R. 8034) for the relief of Miles L. Clark; to the Committee on Claims.

Also, a bill (H. R. 8035) for survey of Pasquotank River at Elizabeth City, N. C.; to the Committee on Rivers and Harbors.

By Mr. WOODYARD: A bill (H. R. 8036) granting a pension to Christopher C. Holmes; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

2218. By Mr. ARENTZ: Resolution of the Tonopah Lodge, No. 28, Free and Accepted Masons at Tonopah, Nev., favoring the passage of the Smith-Towner bill; to the Committee on Education.

2219. By Mr. BACHARACH: Petition of 180 citizens of Burlington County, N. J., in favor of recognition of the republic of Ireland by the United States; to the Committee on Foreign Affairs.

2220. By Mr. CAREW: Resolution from the Board of Aldermen of the City of New York, urging recognition of the Irish republic; to the Committee on Foreign Affairs.

2221. Also, petition of the Medical Society of the State of New York, opposing the Sheppard-Towner bill; to the Committee on Interstate and Foreign Commerce.

2222. Also, petition of J. S. Otis Mahogany Co., of New Orleans, La., relative to tariff duty on mahogany; to the Committee on Ways and Means.

2223. Also, letter from W. T. Dunmore, of Utica, N. Y., president of the Homestead Aid Association of Utica, favoring the exemption of \$500 of the income derived from domestic building and loan associations from the income tax; to the Committee on Ways and Means.

2224. By Mr. CLARKE of New York: Petition of Eggleston Post, No. 184, Grand Army of the Republic, of Deposit, N. Y., requesting that the date of marriage of veterans, making widows pensionable, be extended from 1905 to 1915; to the Committee on Invalid Pensions.

2225. By Mr. CHALMERS: Petition of Bethlehem Lutheran Church, of Toledo, Ohio, protesting against atrocities of savage troops on Rhine; to the Committee on Foreign Affairs.

2226. By Mr. CLAGUE: Petition of Winnebago Presbyterian Church, of Winnebago, Minn., urging relief for the peoples of the Near East; to the Committee on Foreign Affairs.

2227. By Mr. HADLEY: Petition of members of the Pomona Grange of King County, Wash., urging the disposition to foreign countries on long-time credit of our rotting agricultural surpluses; to the Committee on Agriculture.

2228. By Mr. KELLEY of Michigan: Petition of 16 manufacturing confectionery firms of Michigan favoring repeal of excise tax on candy and confectionery; to the Committee on Ways and Means.

2229. By Mr. KISSEL: Petition of Walter W. Law, Jr., president of New York State Tax Commission, and E. Lyons, chairman Wisconsin State Tax Commission, relative to amending the Constitution; to the Committee on the Judiciary.

2230. Also, petition of textile workers of Boston, Mass., urging the passage of House bills 7102 and 7103; to the Committee on Coinage, Weights, and Measures.

2231. Also, petition of Richard Wright, of Brooklyn, N. Y., and 36 residents of the third New York congressional district, urging larger appropriations to be used in the building of ships at the New York Navy Yard; to the Committee on Appropriations.

2232. By Mr. RAKER: Petition of G. Palania, of Redding, Calif., indorsing and urging support of Senate bill 1252 and House bill 7, known as the Towner-Sterling bill; to the Committee on Education.

2233. Also, petition of brotherhood of railway and steamship clerks, freight handlers, express and station employees, of Cincinnati, Ohio, protesting against legislation providing for the immigration of Chinese coolies into the Territory of Hawaii to relieve the labor shortage; to the Committee on Immigration and Naturalization.

2234. Also, petition of San Francisco Chamber of Commerce of San Francisco, Calif., indorsing legislation providing for Federal incorporation of American firms engaged in business in China; to the Committee on Interstate and Foreign Commerce.

2235. Also, petition of Haas Bros., of San Francisco, Calif., protesting against House bill 7112, relative to new regulations in regard to cold storage of food products; to the Committee on Agriculture.

2236. Also, petition of Algoma Lumber Co., of Los Angeles, Calif., urging support of Senate bill 2084; to the Committee on Agriculture.

2237. Also, petition of the Standard Felt Co., of West Alhambra, Calif., requesting protection for felt footwear; to the Committee on Ways and Means.

2238. Also, petition of Germain Seed & Plant Co., of Los Angeles, protesting against a duty on white arsenic and arsenic acid; also petition of Mount Shasta Lodge, No. 312, Brotherhood of Locomotive Firemen and Enginemen, of Dunsmuir, Calif., urging the defeat of the Fordney tariff bill; to the Committee on Ways and Means.

2239. By Mr. ROSE: Petition of citizens of Blair County, Pa., favoring elimination of the tax on carbonated beverages; to the Committee on Ways and Means.

2240. By Mr. YOUNG: Petition of Farmers' Union, Local No. 81, of Sterling, N. Dak., favoring a reduction of rates in various tax measures, etc.; to the Committee on Ways and Means.

2241. Also, telegram in the nature of a petition of the National Nonpartisan Clubs of North Dakota, of Fargo, N. Dak., praying for the passage of the so-called Sheppard-Towner bill; to the Committee on Interstate and Foreign Commerce.

SENATE.

TUESDAY, August 2, 1921.

(Legislative day of Wednesday, July 27, 1921.)

The Senate reassembled at 12 o'clock meridian, on the expiration of the recess.

EXPORTATION OF FARM PRODUCTS.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 1915) to provide for the purchase of farm products in the United States, to sell the same in foreign countries, and for other purposes.

Mr. BRANDEGEE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. CURTIS in the chair). The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Ashurst	Broussard	Caraway	Dial
Borah	Bursum	Culberson	Edge
Brandegee	Capper	Curtis	Ernst

Fernald	King	Overman	Sterling
Gerry	Ladd	Pittman	Sutherland
Gooding	La Follette	Pomerene	Swanson
Harrell	McCormick	Ransdell	Townsend
Harris	McCumber	Reed	Trammell
Harrison	McKellar	Sheppard	Wadsworth
Hedlin	McKinley	Shortridge	Walsh, Mass.
Hitchcock	McLean	Smith	Walsh, Mont.
Jones, Wash.	McNary	Smoot	Warren
Kellogg	Moses	Spencer	Watson, Ga.
Kenyon	Norbeck	Stanfield	Williams
Keyes	Oddie	Stanley	Willis

Mr. SMOOT. I wish to announce the absence of the junior Senator from Arizona [Mr. CAMERON] on official business.

I also wish to announce that the Senator from Pennsylvania [Mr. PENROSE] is detained at a meeting of the Committee on Finance.

The PRESIDING OFFICER. Sixty Senators having answered to their names, a quorum is present.

Mr. LA FOLLETTE and Mr. BRANDEGEE addressed the Chair.

The PRESIDING OFFICER. The Senator from Wisconsin is entitled to the floor. Does he yield to the Senator from Connecticut?

Mr. LA FOLLETTE. I yield.

Mr. BRANDEGEE. Last evening after we had entered into the unanimous-consent agreement I gave notice in accordance with the rule as to a modification of unanimous-consent agreements that to-day I would ask unanimous consent that the existing agreement, which provides that the pending unfinished business shall be continued to the exclusion of all other business, shall be modified by inserting after the word "business" the words "except routine morning business and such matters as may be agreed to by unanimous consent." That would take care of any emergency matter or a message from the President or the House of Representatives or the introduction of bills, joint resolutions, and so forth.

Mr. KENYON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Iowa?

Mr. LA FOLLETTE. I yield.

Mr. KENYON. I am not rising to object, but I wish to get the parliamentary viewpoint of the Senator from Connecticut. The unanimous-consent agreement was not for a final vote and did not require a roll call. Under those circumstances, does the Senator believe that it was necessary to give a day's notice in order to ask a change, or does the rule apply only to agreements to take a final vote?

Mr. BRANDEGEE. I thought it was necessary, and that is the reason why I gave the notice.

Mr. KENYON. I thought perhaps the Senator had reflected upon it since.

Mr. BRANDEGEE. No.

Mr. KENYON. I think the rule applies only to a unanimous-consent agreement which requires a roll call and is for a final vote.

Mr. STERLING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from South Dakota?

Mr. LA FOLLETTE. I yield.

Mr. STERLING. I should like to ask what is the difference between a unanimous-consent agreement such as the Senator from Connecticut desires and an adjournment followed by a morning hour with routine morning business; that is, the presentation of petitions, the introduction of bills and joint resolutions, and so forth?

Mr. BRANDEGEE. Of course, what is known as routine morning business usually occurs in the morning hour; that is, the introduction of bills and joint resolutions, the presentation of petitions, and so forth. It does not mean that unless we have an adjournment we can not have any routine morning business. Such things as usually constitute routine morning business when we do have a morning hour would be admissible under this consent agreement, in my view.

Mr. STERLING. It would not mean that the morning hour might be taken up in the discussion of resolutions or questions arising under the order of petitions, memorials, and matters of that kind?

Mr. BRANDEGEE. No; because such a discussion could not take place in the morning hour anyway except by unanimous consent, and this provides that it can be done by unanimous consent. The idea is that if there should come up some emergency measure and the Senate thought it of sufficient importance to require passage, unanimous consent could be given so that the Government would not be crippled; but, of course, unanimous consent would not be given except for a measure of such magnitude.

The reason why I proposed that the unfinished business should be held before the Senate to the exclusion of all other business was that at that time the proposed unanimous-consent agreement was so framed as that it provided that at 3 o'clock to-morrow we should vote, so that we were only excluding other business for a limited time. But afterwards the agreement was changed, and I had not kept track of the change, so as to provide simply that after 2 o'clock to-morrow no one shall speak longer than 10 minutes, so that no time is fixed for a vote now. The debate has been limited to 10-minute speeches after 2 o'clock to-morrow, and therefore we ought not to tie ourselves up so tight as is done by the existing unanimous-consent agreement.

The PRESIDING OFFICER. Is there objection to the amendment proposed by the Senator from Connecticut? The Chair hears none, and the amendment to the unanimous-consent agreement is agreed to. The Senator from Wisconsin has the floor.

Mr. BORAH. Mr. President—

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Idaho?

Mr. LA FOLLETTE. I yield.

Mr. BORAH. I submit at this time an amendment which I shall offer to the pending bill whenever we reach the point where the amendment will be in order. I simply desire at this time to have it read and to say just a word in explanation.

The PRESIDING OFFICER. Does the Senator from Idaho desire to have the amendment to the amendment read?

Mr. BORAH. I desire to have it read.

The PRESIDING OFFICER. The Secretary will state the amendment which is proposed by the Senator from Idaho to the amendment.

The READING CLERK. At the end of the amendment it is proposed to add the following as a new section:

That an act entitled "An act to provide capital for agricultural development, to create a standard form of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes," and known as the Federal farm loan act, be, and the same is hereby, amended by adding thereto a section to be known as "section 12a," reading as follows:

"SEC. 12a. The lien reserved to the Government of the United States, however created, for payment to it of construction charges, and charges for operation and maintenance, and all penalties required to be paid under the act of June 17, 1902 (32 Stat., p. 388), and acts amendatory thereof or supplementary thereto, shall not be construed to be a lien or incumbrance as contemplated by this act, wherein loans under this act shall be secured by first mortgages on farm lands, to the end that the provisions of said Federal farm loan act shall extend to lands within all Government reclamation projects, without regard to Government liens for payment of said charges."

Mr. BORAH. Mr. President, the proposed amendment to the amendment is somewhat long, but it involves a very simple proposition. I can state it in a word. Under the Federal farm loan act as it now exists the Farm Loan Board is prohibited from making loans upon reclamation farms for the reason it has been determined such loans must be first-mortgage loans. The amendment is simply designed to exclude the lien which the Government may have upon lands within reclamation projects, so as to permit the Farm Loan Board to make loans upon reclamation projects notwithstanding the fact that the Government may have a lien for charges and for expenses in connection with building the canals, and so forth.

As we know, the Farm Loan Board has construed the law in such a way that at the present time it is impossible under the law to make a loan to parties holding lands under Government reclamation projects. By this proposed legislation it is desired simply to extend the farm loan act so that its benefits may accrue to settlers on reclamation projects. The proposed amendment has no other purpose than to permit loans upon the lands under reclamation projects, the lien of the Government notwithstanding.

Mr. ASHURST and Mr. SMOOT addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Wisconsin yield, and if so, to whom?

Mr. LA FOLLETTE. I yield first to the Senator from Arizona.

Mr. ASHURST. Mr. President, I am glad that the Senator from Idaho [Mr. BORAH] has submitted his amendment to the amendment. I presented an amendment on last Thursday, the 28th ultimo, similar to the one now submitted by the Senator from Idaho. It would seem that the Senator from Idaho is following me in this task, but really he is not; he is leading, rather, because the amendment which was presented by myself on last Thursday was, in fact, almost an exact copy of a bill which the Senator from Idaho had introduced on the same subject some months ago.

Mr. BORAH. Mr. President—

The PRESIDING OFFICER. Does the Senator from Arizona yield to the Senator from Idaho?

Mr. ASHURST. I have not the floor, but, with the permission of the Senator from Wisconsin, I will yield to the Senator from Idaho.

Mr. BORAH. Do I understand that the Senator from Arizona has offered the amendment to which he refers to the pending bill?

Mr. ASHURST. Yes; I have offered it to the so-called Norris bill.

Mr. BORAH. I did not know that. I shall be very glad to support the Senator's amendment.

Mr. ASHURST. I want it distinctly understood that the Senator from Idaho is only apparently later than myself in offering the amendment, for the one which I submitted was copied from his bill. The language of his bill was so appropriate that I copied the Senator's bill in my amendment.

If the Senator from Wisconsin will pardon me a moment further, I am not so certain that the amendment will not develop into the best feature of the proposed bill. Senators, recollect what the Reclamation Service has done in 19 years. It has transformed 3,000,000 acres of land, originally worth only about \$5 an acre, or, in the aggregate, \$15,000,000, into fields and farms of a value now aggregating \$600,000,000.

Each year the value of the agricultural products of this reclaimed land, not counting live-stock products, amounts to \$90,000,000. The total value of agricultural products, not counting the live stock which has been grown on those irrigation projects, aggregate \$400,000,000. Five hundred thousand people are now housed and employed on those reclamation projects; 50,000 homes have been built thereon. The work of the Reclamation Service is the epic of our western world, yet, as the learned Senator from Idaho has pointed out, the very people living beneath and under these projects are precluded from the benefits of the Federal farm loan law.

The Senator from Idaho has a record so illustrious with rich statesmanship and work for the good of his country that it is difficult to know which of his efforts to praise the most, but of all the good work he has done or may in the future do for the agricultural interests of this country no greater work can be done, no more true statesmanship can be exhibited, than to pass a bill which will permit the farmers under the reclamation projects to share in the benefits of the Federal farm loan law.

I thank the Senator from Wisconsin for yielding to me at this point.

JOINT COMMITTEE ON REORGANIZATION.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Utah?

Mr. LA FOLLETTE. I yield to the Senator from Utah.

Mr. SMOOT. Mr. President, I ask unanimous consent for the immediate consideration of Senate resolution 109. I intended to call the resolution up last night. It proposes to provide for the payment of the employees of the Joint Committee on Reorganization.

The PRESIDING OFFICER. Is there objection to consideration of the resolution referred to by the Senator from Utah, which will be stated?

The READING CLERK. A resolution (S. Res. 109) to provide for payment of expense of Joint Committee on the Reorganization of the administrative branch of the Government out of the contingent fund.

Mr. PITTMAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Nevada?

Mr. LA FOLLETTE. I yield.

Mr. PITTMAN. I should like to have the resolution read, in order that we may understand what it is.

Mr. SMOOT. I will state to the Senator from Nevada what the resolution proposes.

The PRESIDING OFFICER. Let the Secretary read the resolution, as that is the quickest way to dispose of the matter.

The reading clerk read the resolution (S. Res. 109), which had been submitted by Mr. Smoot on July 12, 1921, and reported from the Committee on Appropriations July 15, 1921, as follows:

Resolved, That, pursuant to the authority contained in the joint resolution entitled "Joint resolution to create a Joint Committee on the Reorganization of the Administrative Branch of the Government" (Public Resolution No. 54, 66th Cong.), and in the joint resolution entitled "Joint resolution to authorize the President of the United States to appoint a representative of the Executive to cooperate with the Joint Committee on Reorganization" (Public Resolution No. 1, 67th Cong.), there shall be paid out of the contingent fund of the Senate one-half of the expense of said Joint Committee on Reorganiza-

tion, upon vouchers countersigned by the chairman of the said committee on the part of the Senate and approved by the Committee to Audit and Control the Contingent Expenses of the Senate.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

The Senate, by unanimous consent, proceeded to consider the resolution.

Mr. OVERMAN. Mr. President, as I understand, the money for the payment of the employees of the joint committee is to come from the contingent fund of the Senate?

Mr. SMOOT. Half of it is to come from the contingent fund of the Senate and half of it from the contingent fund of the House.

Mr. OVERMAN. Why is not a direct appropriation made to cover this expense?

Mr. SMOOT. Because the original joint resolution provided that the expenses should be taken care of in this way from the contingent fund. I will say to the Senator that the House has already passed a resolution providing that half of the expenses may be taken from the contingent fund of the House, but it will be impossible to pay the employees until the pending resolution is passed by the Senate.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution was agreed to.

COMPARISON OF PROPOSED FEDERAL HIGHWAY LEGISLATION.

Mr. TOWNSEND. Will the Senator from Wisconsin yield to me to make a request to have a statement printed in the RECORD?

Mr. LA FOLLETTE. Certainly; I yield to the Senator from Michigan.

Mr. TOWNSEND. The Committee on Post Offices and Post Roads requested me recently to prepare a comparison of the two road bills now pending. I have done that, and ask leave to have the comparison printed in the RECORD in parallel columns.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The comparison referred to is as follows:

THE FEDERAL HIGHWAY LAW AS IT WILL BE	
With the Dowell bill passed in its present form.	With the Townsend bill passed in its present form.
(Abbreviations: "D." Dowell bill; "1916," law of 1916; "1919," amendments of 1919.)	(Abbreviations: "T." Townsend bill; "Sec. of Ag.," Secretary of Agriculture; "S. H. D.," State highway department.)

ADMINISTRATION.

By the Secretary of Agriculture. (Sec. 1, 1916.)	By a commission of three. (Sec. 1, T.)
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APPROPRIATIONS.

None provided in Dowell bill.	\$100,000,000 for 1921-22 and \$100,000,000 for 1922-23 for road system; \$5,000,000 for 1921-22 and \$10,000,000 for 1922-23 for roads through national forests.
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APPORTIONMENT.

One-third according to area; one-third according to population; one-third according to mileage of "rural delivery and star routes." Every State to receive at least one-half per cent of the total amount of fund.	Same provision as in Dowell bill.
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AVAILABLE UNTIL.

In States having a highway department, one year after close of fiscal year for which fund allotted. In States not having a highway department, three years after close of fiscal year for which fund is allotted. (Sec. 3, 1916.) Two years after close of fiscal year for which funds allotted. (D., sec. 9.)	Two years after close of fiscal year for which funds allotted. (T., sec. 2.)
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FUNDS REAPPROPRIATED.

Within 60 days after close of year available. (Sec. 3, 1916.) At end of period when available. (D., sec. 9.)	Within 60 days after end of year they are available. (T., sec. 20.)
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SELECTION AND DESIGNATION OF ROADS.

Dowell bill—Continued.

Sec. of Ag. and S. H. D.'s shall agree on roads to be constructed and the character and method of construction. (Sec. 1, 1916.)

Sec. of Ag. shall have authority to approve in whole or part or require modifications or revisions thereof.

S. H. D. shall select not exceeding 7 per cent of State road mileage, not exceeding $\frac{1}{4}$ ths of which shall be known as primary or interstate roads and the balance ($\frac{3}{4}$) secondary or intercounty roads.

States shall submit any proposed revisions of the system selected.

When provision made for completion and maintenance of the system 7 per cent more may be added. (D., sec. 6.)

PROJECTS.

S. H. D. shall submit projects, "setting forth proposed construction of any rural post road or roads therein." (D., sec. 4.)

If projects approved, State shall furnish such surveys, plans, specifications, and estimates therefor as the Sec. of Ag. may require. (D., sec. 4.)

Preference shall be given to "such projects as will expedite the completion of an adequate and connected system of roads interstate in character." (D., sec. 4.)

"Upon this system (7 per cent) all Federal aid shall be expended." (D., sec. 4.)

Not less than 60 per cent of all Federal aid shall be expended on the primary or interstate roads until provision has been made for the entire system. (D., sec. 6.)

CONDITIONS PRECEDENT.

Legislative assent to this act. (Sec. 1, 1916.)

Submit project statements. (D., sec. 4.)

Not later than 3 years after adjournment of first regular session of legislature after passage of act State must provide funds "equal to apportionment of Federal funds allotted each year for construction of roads."

"Provide a State fund adequate for the maintenance of Federal-aid roads and by law shall place said maintenance work under the direct supervision of the S. H. D." or—

If the State constitution or laws do not provide for such fund and maintenance, projects may be approved until 3 years after adjournment of first regular session of legislature if "funds for maintenance are appropriated or provided by the civil subdivisions of the State and expended under direct control of the S. H. D." (D., sec. 4.)

Townsend bill—Continued.

The commission, in cooperation with the S. H. D., shall from time to time, and subject to such changes as deemed advisable, select, designate, and establish an interstate system composed of primary roads, with due consideration for the agricultural, commercial, postal, and military needs, and afford ingress and egress from each State and the D. of C.

When these are built in any State, the commission then to cooperate with the S. H. D. in selecting, etc., other highways connecting or correlating therewith.

"If any S. H. D. fails, neglects, or refuses to cooperate, or fails to agree with the commission, the commission may then determine the selection, designation, and establishment of the route or routes." (T., sec. 6.)

S. H. D. shall submit project statements, setting forth proposed construction, etc.

If projects approved, State shall furnish such surveys, plans, specifications, and estimates therefor as the commission may require. (T., sec. 23.)

In any State where the interstate roads have been constructed according to standard adequate for traffic, then aid extended to construction of connecting roads. (T., sec. 6.)

State must make "adequate provision for the maintenance of all highways selected in that State which have been or which may hereafter be constructed according to adequate standards approved by the commission." (T., sec. 6.)

The point has been raised that States should be required to provide only the amount needed to match the Federal aid, which in the public-land States is less than half. Why require an amount "equal to apportionment before approving project"?

It has been suggested that the regular sessions of the legislatures do not meet until 1923 in most States. Three years after that makes 5 years' grace added to the 5 years the law has been in force, making 10 years. That few States have a "law" providing for a "maintenance fund" or a law placing the work under direct control of the S. H. D., and practically no civil subdivisions of States have a law permitting these subdivisions to collect taxes for expenditure "under direct control of the S. H. D." In such cases the point has been raised, How could a State have a project approved?

CONSTRUCTION.

Dowell bill—Continued.

"The construction work and labor in each State shall be done in accordance with its laws and under the direct supervision of the S. H. D., subject to the inspection and approval of the Sec. of Ag. and in accordance with the rules and regulations made pursuant to this act." (Sec. 6, 1916.)

Townsend bill—Continued.

"The construction and reconstruction work and labor in each State shall be done in accordance with its laws and under the direct supervision of the S. H. D., subject to the inspection and approval of the commission and in accordance with the rules and regulations pursuant to this act." (T., sec. 23.)

That the construction and reconstruction of such highways Federal funds may be expended on under this act shall be undertaken by the S. H. D. subject to the approval of the commission. (T., sec. 8.)

PAYMENTS.

When project completed, or may arrange for partial payments as the work progresses. (Sec. 6, 1916.)

Not to exceed \$20,000 per mile plus portion State's part is reduced on account of public-land area, which is in proportion the "unappropriated and reserved lands" bear to total area of State.

When project completed, or may arrange for partial payments as the work progresses. (T., sec. 23.)

No mention is made of limit per mile, but this provision in present law not being "inconsistent" with provisions of Townsend bill, the \$20,000 per mile probably applies.

MAINTENANCE.

"State shall provide a State fund adequate for the maintenance of Federal-aid roads and by law shall place said maintenance work under the direct control of the S. H. D." Or if the constitution or laws of the State do not provide for such fund and control the civil subdivisions must provide the funds to be expended under direct control of S. H. D. Or no projects will be approved. (D., sec. 4.)

"To maintain the rural post roads constructed under the provisions of this act shall be the duty of the States." (D., sec. 5.)

No project shall be approved until the State has made adequate provision for maintenance of all roads then or thereafter constructed with Federal aid. (T., sec. 6.)

PENALTY.

If roads are not properly maintained Sec. of Ag. shall give notice to the S. H. D.

If within 100 days they are not put in proper condition Sec. of Ag. shall refuse to approve any project.

Sec. of Ag. shall proceed immediately to have road put in proper condition and charge the cost to Federal fund allotted to that State.

Upon reimbursement by the State the funds reimbursed will be placed in the U. S. Treasury to the credit of miscellaneous receipts and the

If State fails to maintain roads after construction the commission shall give notice to the S. H. D.

If within 60 days the road is not placed in proper condition, the commission shall refuse to approve any further project in the State and proceed to put the road in condition and charge the cost against the Federal fund allotted to that State.

Upon reimbursement by the State the funds reimbursed to be placed back in the Federal fund to the credit of the State

Dowell bill—Continued.

Sec. of Ag. shall then approve further projects. (D., sec. 5.)

It has been suggested the Federal road fund should not be deprived of the money reimbursed. In fact, only one State so far has failed in its undertaking to maintain, and this was for lack of funds, then why should such a severe penalty be imposed?

The point has also been raised that this language requires the State to maintain the Federal-aid roads, constituting 7% of the total road mileage, as soon as they are elected and whether constructed or not, which might be very burdensome to some States and possibly bar them entirely from qualifying to receive Federal aid.

No provision.

Townsend bill—Continued.

and further projects may then be approved.

The commission may do the work and buy or lease the necessary equipment, etc., to repair the road. (T., sec. 6.)

"The commission shall establish an accounting division in its organization, which shall devise and install a proper method of keeping the commission's accounts." (T., sec. 4.)

EXPENSES.

The Sec. of Ag. empowered to employ assistants, clerks, and other persons from civil service lists of eligibles, rent buildings outside of Washington, and purchase such supplies, materials, equipment, office fixtures, and apparatus, and to incur such travel expenses as he may deem necessary. (Sec. 9, 1916.)

The commission shall employ and fix the salary of a chief engineer, a secretary, and such accounting, engineering, and other assistants and employees as it deems necessary. With the exception of the chief engineer, secretary, and labor to be taken from civil service lists.

No salary to exceed \$5,000 per annum shall be paid except to the chief engineer, and in fixing the salaries to be governed by the salaries paid other Government employees. (T., sec. 4.)

The commission may incur expense for transportation, rent, travel, office equipment, etc. (Sec. 5.)

EXPENSE FUND.

Not to exceed 3% of the fund shall be set aside for expenses and the balance remaining at the end of the year be turned into the general fund for apportionment to the States.

Not to exceed 1½% of the fund shall be set aside for expenses, and the balance remaining at the end of the year shall within 60 days after the close be turned into the general fund for apportionment to the States. (T., sec. 20.)

WAR SURPLUS MATERIALS.

The Sec. of War authorized to turn over to the Sec. of Ag. war material, equipment, and supplies not needed for war and suitable for road work, reserving 10% for forest road work.

Those turned over to be allotted to the States in the same proportion as funds. (Sec. 7, 1919.)

Same provision in Townsend bill. (T., sec. 7.)

MAPS.

No provision.

"Within two years * * * the commission shall prepare, publish, and distribute a map showing highways and forest roads it has selected * * * and at least annually thereafter * * * supplementary maps showing its program in selection, construction, and reconstruction." (T., sec. 9.)

TRANSFER OF LANDS GRANTED TO RAILROAD AND CANAL COMPANIES.

No provision.

"Consent of the U. S. is hereby given to any railroad or canal company to convey * * * any part of its right

Dowell bill—Continued.

No provision.

TRANSFER OF PUBLIC LAND OR ROAD MATERIALS THEREON.

Townsend bill—Continued.

of way or other property in that State acquired by grant from the U. S." to the S. H. D. (T., sec. 11.)

"If the commission determines that any part of the public lands or reservations of the U. S. is reasonably necessary for the right of way * * * or as a source of materials * * * for the construction or maintenance * * * the commission shall file with the Sec. of the department supervising such land a map, etc."

The Secretary may grant the request imposing conditions for the protection of the public estate, or failing to do this may certify that the appropriation would be contrary to the public interest or inconsistent with the purpose for which the lands or materials were reserved. If he does neither within four months the commission may proceed to appropriate the lands or materials. (T., sec. 12.)

TYPES OF ROAD.

Must be free from tolls. (Sec. 1, 1916.)

"The Sec. of Ag. shall approve only such projects as may be substantial in character, and the expenditure of funds hereby authorized shall be applied only on such improvements." (D., sec. 4.)

Must be free from tolls. (T., sec. 6.)

"That only such durable types of surface and kinds of material shall be adopted * * * as will adequately meet the existing and probable future traffic needs and conditions thereon."

"* * * consideration being given to the type and character which shall be best suited for each locality and to the probable character and extent of the future traffic." (T., sec. 13.)

"That all highways in the interstate system constructed after the passage of this act shall have a right of way of ample width and a wearing surface of an adequate width which shall be not less than 20 feet unless, in the opinion of the commission, it is rendered impracticable by physical conditions, excessive costs, probable traffic requirements, or legal obstacles." (T., sec. 14.)

INFORMATION—PUBLICATION OF.

"The Sec. of Ag. shall encourage more general understanding of the economic use of public roads and highways, and shall collect, publish, and demonstrate for the benefit of all sections of the U. S. useful information on highway transport, construction, and maintenance, which shall include such recommendations as he may deem necessary for preserving and protecting the highways and insuring the safety of traffic thereon." (D., sec. 8.)

"The commission shall encourage a more general understanding of the economic use of public roads and highways, and shall collect, publish, and disseminate for the benefit of all sections of the U. S. useful information on highway transport, construction, and maintenance." (T., sec. 15.)

RULES.

"That the Sec. of Ag. is authorized to make rules and regulations carrying out the provisions of this act." (Sec. 10, 1916.)

"That the commission shall prescribe rules and promulgate all needful rules and regulations for the carrying out of the provisions of this act, includ-

Dowell bill—Continued.

COOPERATION IN BUILDING ROADS
No provision.

No provision.

STATES EXEMPT WHEN.

"Where the constitution of any State prohibits the same from engaging upon internal improvements or from contracting public debts for extraordinary purposes in an amount sufficient to meet the monetary requirements * * * or restricts annual tax levies for the purpose of constructing and improving roads and bridges * * * the funds apportioned to such State shall be set aside and held for future disbursement in that State when it alters its constitution to permit it to raise the money to match the Federal aid extended. (Sec. 6, 1919.)

"Provided further, That nothing herein shall be deemed to prevent any State from receiving such portion of said principal sum as is available under its existing constitution and laws." (Sec. 6, 1919.)

"Provided further, That nothing herein shall be deemed to prevent any State from receiving such portion of said principal sum as is available under existing constitution and laws, or to receive their proportionate share of each year's appropriation under existing constitution and laws until 3 years after the adjournment of the next regular session of the legislature from and after approval of this act." (D. sec. 2.)

"Provided further, That in any State where the existing constitution or laws do not provide for such maintenance the Sec. of Ag. shall continue to approve projects for said State until 3 years after the adjournment of the first regular session of the legislature" after the passage of this act,

IF

the civil subdivision of such State provides funds to main-

Townsend bill—Continued.

ing such recommendations as the commission may deem necessary for preserving and protecting the highways and insuring the safety of traffic thereon." (T., sec. 16.)

THROUGH INDIAN RESERVATIONS.

"The commission is authorized to cooperate with the State H. D. and with the Department of the Interior in the construction of public highways within Indian reservations, etc." (Sec. 17, T.)

ANNUAL REPORTS.

That on or before the first Monday in December of each year the commission shall make a report to Congress, which shall include a detailed statement of the work done, the status of each project undertaken, the allocation of appropriations, the expenditures and receipts during the year, an itemized statement of traveling and other expenses, list of employees, their duties, salaries, and traveling expenses, etc. (Sec. 18, T.)

"Any State desiring to avail itself of the benefits of this act shall, not later than two years from and after the passage of this act, make provisions for State funds required each year of such State by this act for the construction and reconstruction of highways." (T., sec. 22.)

Dowell bill—Continued.

tain and they are expended under direct control of the S. H. D. (D. sec. 6.)

EX-SOLDIERS—PREFERENCE FOR.

Sec. 6 of the act of 1919 provides that ex-soldiers, sailors, and marines should be given preference.

Sec. 4 of the Dowell bill amends the first paragraph of sec. 6 of the "act of 1916 as amended."

There is but one paragraph in sec. 6 of the act of 1919, and if sec. 4 of the Dowell bill is intended to amend this, then the provision preferring the ex-soldiers, etc., is dropped out and ceases to be a part of the road law.

Officers or enlisted men of the Army, Navy, or Marine Corps engaged in road work shall be paid the difference between Army pay and compensation to civilians for the same work on roads. (Sec. 9, 1919.)

No provision.

INVALID.

Provides that if part of the act should be held invalid, it will not invalidate the whole act. (T., sec. 19.)

PUBLIC LAND STATES.

The share of Federal aid set aside for the State shall not exceed 50% of the total cost per mile of the road, except in "States containing unappropriated public lands and reservations under Federal control exceeding 5% of the total area" of the State, in which case the amount set aside for the project from the funds apportioned to the State shall be the 50% plus a percentage of the total cost equal to one-half the percentage the unappropriated public lands and reservations bear to the total area of the State. (D., sec. 4.)

FOREST ROADS.

No appropriations.

50% of the appropriations made under the act of 1919 to be expended on roads within and partly within the national forests and apportioned among the States, Territories, and insular possessions in the ratio the area of such forests in the State bear to the total area of the State, and the remaining 50% expended on roads and trails necessary for the protection, administration, and utilization of the national forests, and shall be apportioned by the Sec. of Ag. in proportion to the relative needs of the national forests, taking into consideration existing transportation facilities, value of timber or other resources served, relative fire danger, and comparative difficulties of construction. (D., sec. 7.)

"That the cooperative agreement for the survey, construction, and maintenance * * * shall be between the Sec. of Ag. and the proper officials of the State, Territory, or insular possessions." (D., sec. 7.)

Townsend bill—Continued.

"Other things being equal, preference shall be given to honorably discharged soldiers, sailors, and marines." (T. sec. 4.)

Adjusted pay for soldiers, sailors, and marines doing road work is not mentioned, but, being part of the present law and not inconsistent with the provisions of the bill, would probably remain as the law.

Provides that when the commission shall approve any project the Sec. of the Treasury shall then set aside not to exceed 50% of the cost as estimated, except in States containing unappropriated public lands exceeding 5% of the total area of the State, in which case the Sec. shall set aside the 50% plus a percentage of the total estimated cost equal to one-half the percentage which the area of the unappropriated lands in such State bears to the total area of such State. (T., sec. 22.)

Appropriates \$5,000,000 for the year 1921-1922 and \$10,000,000 for the year 1922-1923 for the survey, construction, reconstruction, and maintenance of forest roads. (T., sec. 24.)

Forest roads defined to be "roads wholly or partly within or adjacent to and serving the forest reserves." (T., sec. 2.)

The funds to be apportioned among the States and Alaska according to the area and value of Government-owned lands within national forest reserves. (T., sec. 24.)

Commission may purchase, hire, or lease all necessary supplies, equipment, and facilities it deems necessary to perform the work. (T., sec. 24.)

"That the commission is authorized to enter into contracts with the Sec. of Ag. for the construction, reconstruction, or maintenance of any forest roads." (T., sec. 24.)

Dowell bill—Continued.

If more than \$8,000,000 is appropriated for any one year under the provisions of this section the excess shall be added to the 50% applicable to roads forming parts of or extensions of the system of main State roads. (D., sec. 7.)

It has been suggested: That distribution according to area alone was unfair and not an equitable distribution. It should be according to area and value, as near the basis as possible upon which taxes are levied.

That the provision in the Dowell bill applies only to the appropriations made under the act of 1919, which were \$3,000,000 for 1919, \$3,000,000 for 1920, and \$3,000,000 for the fiscal year ending June 30, 1921. Nearly all of this has been expended and does not apply to future appropriations. This should be made to apply to future appropriations.

The provisions in the Townsend bill should be made clear that that part of the money to be used in building roads and trails for the protection and utilization of the lands should be under the supervision of the Sec. of Ag. (Forest Service) and the balance under the Federal highway department.

BRITISH INFLUENCE IN THE SHIPPING BOARD.

Mr. LA FOLLETTE resumed and concluded the speech begun by him on Friday last upon British influence in the Shipping Board. The speech is published entire as follows:

Monday, August 1, 1921.

BRITISH INFLUENCE IN SHIPPING BOARD.

Mr. LA FOLLETTE. Mr. President, on Friday evening before the Senate took a recess I had taken the floor and had submitted some observations upon a resolution which I introduced some time ago and which is upon the table. I discussed the resolution for some 5 or 10 minutes. However, as there were but few Senators present at that time I wish briefly to make a résumé of the matter which I then submitted.

On the 25th of July I submitted some observations to the Senate on one branch of the investigation which the resolution which I have presented contemplated, and that was the attitude of the Shipping Board toward American seamen. On that date I referred back to the differences between the American seamen and the Shipping Board, and I believe I made it clear that the policy of the Shipping Board with respect to American seamen is such that it is impossible for us to build up under that policy an American merchant marine.

The interest of the American people in the American merchant marine is twofold. First, it is that we shall establish a condition with respect to the American ships that fly the American flag that will insure us in time of war an auxiliary to our Navy. Basic to that proposition, of course, is the personnel who man the ships of the American merchant marine. It is vitally essential, as I see it, and I believe the history of shipping the world over sustains the view that, in order that any merchant marine built up by any national government shall be useful to that government in time of war, the men who man the ships must be of the nationality that supports that merchant marine. Applying it to our own case, I hold that it is vital, if we are to have an American merchant marine, that our ships shall be manned by American sailors.

That was the theme of the discussion in the remarks which I submitted to the Senate on the 25th of last month. Then in that connection I said to the Senate that the attitude of the Shipping Board with regard to Great Britain was, I believe, so hostile to the upbuilding of an American merchant marine that if it were once submitted to the Senate and to the American people and understood by them not one dollar of money would be contributed to support the Shipping Board and enable it to carry on its policies unless they were radically changed. I believe that attitude of the Shipping Board is such; I believe that the whole policy upon which we are proceeding is such that if it is once definitely and clearly understood by the American people no Senator and no Member of the House of Representatives will vote one dollar of taxation upon the American people to support that policy.

Mr. President, when I addressed the Senate on the 25th of last month, making what I believed to be a demonstration of the fact that the labor policy of the Shipping Board is such that we can not build up an American merchant marine manned by American sailors, I said in that connection that I would also take up the discussion of the attitude of our organization known as the Shipping Board toward the British interests and British shipping, and that I thought I would be able to show

Townsend bill—Continued.

to the Senate and to the country that that attitude is one which contributes not to the upbuilding of an American merchant marine in any sense of the word, but to the upbuilding of British shipping, and I think I am prepared to make the next installment of my argument in conclusive support of that proposition.

So, Mr. President, I have this to say: It has been announced that we are about to be confronted with a proposition to appropriate \$300,000,000 to the Shipping Board to carry on its present policies, and Members of this body and of the House will be confronted with the responsibility of taxing the farmer, the laborer, the manufacturer, the man engaged in mercantile pursuits, to the extent of a million dollars a day, counting only the working days, to support the policies of the Shipping Board as at present conducted.

However, if it is worth while to tax the people of the country to maintain an organization that shall build up an American merchant marine not only as an auxiliary of the Navy, but to insure us fair treatment in our overseas trade, it must mean that it is important that there shall be in that overseas trade vessels flying the American flag supported by the American people and promoting the transfer of our products across the sea to the markets of the world. How can an organization of that kind minister to the producers of this country, whether they be manufacturers or producers from the soil, unless the shipping organization which is built competes with foreign shippers and the owners of foreign lines? If it shall develop that all of the aid which through taxation we turn into the so-called upbuilding of an American merchant marine contributes to the building up of the greatest rival that we have in overseas commerce, then the American people are betrayed in every dollar of taxes levied to support an organization of that kind.

Mr. MOSES. Mr. President—

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from New Hampshire?

Mr. LA FOLLETTE. I do.

Mr. MOSES. Is the Senator from Wisconsin referring to policies which are now actually in force by the Shipping Board or which have been in force in the past?

Mr. LA FOLLETTE. I am referring to policies which not only have been in force, but which are being continued in force up to the present moment.

Mr. MOSES. Does the Senator discover any indication in the action of the Shipping Board that those policies are to be continued?

Mr. LA FOLLETTE. Undoubtedly. I have discovered that by the appointment of men taking charge of the assignment of our ships, men in charge of the operation of ships which we are bleeding at every vein and every artery to sustain in these distressing times, who are going to the support of a British merchant marine rather than to an American merchant marine. It is to make something approaching at least a demonstration of that proposition that I have taken the floor and that I appeal to the Senate for its considerate attention and upon which I ask the attention of the country.

There hangs upon the wall of this Chamber [indicating] a map which I have made after a somewhat critical study of the ramifications of the shipping interests; and, Mr. President, I ask Senators to yield me their attention while I discuss this subject. I venture to say it will be worth their while to do so, for they are to be called upon, as stated by the chairman of the Committee on Commerce, the distinguished author of the Jones Act of 1920, to vote in a few days \$300,000,000 additional in order to support the policy of the present Shipping Board.

Mr. President, I am now going to come back to my manuscript. I do so for the sake of saving time, because I find that when I depart from my manuscript I amplify. I beg the attention of Senators.

THE CHARGE OF BRITISH CONTROL.

The charge that British influences are at work to control the policies of our merchant marine has been so frequently and recently made and upon such high authority that it can not longer be ignored. For example, on the 6th of June last the Senator from Iowa [Mr. KENYON] on the floor of the Senate said this:

I think it is a safe statement—I hazard the statement—that of the 300 employees [of the United States Shipping Board] across the sea, 75 per cent are British subjects, and some of the most important positions are filled by British subjects, such, for instance, as that of marine superintendent, Capt. Blake, who is getting a salary of \$8,000 a year, a British subject, and his entire department is composed of British subjects.

The remarks I have just quoted will be found in the CONGRESSIONAL RECORD of June 6, 1921, page 2157.

Before I conclude what I have to say I expect to lay before the Senate information showing that it is not necessary to go across the sea to find men powerful in the affairs of American shipping whose interests and sympathies are far more British than American.

Who is it that is our commercial rival for overseas trade? Great Britain, of course. There is no other country which compares with Great Britain so far as tonnage is concerned. I take it that is what the Senator from Iowa was speaking about when he made the statement before the Senate which I have just quoted. In order to confirm that, I addressed a letter to the Shipping Board and asked them to send me a statement of the employees of the present Shipping Board, their residence, and their allegiance. I have their reply here; I have compared it with the statement of the Senator from Iowa and of the Senator from Missouri, who spoke following the Senator from Iowa, and I find in it, Mr. President and Senators, that which challenges the attention of every Senator who shall be called upon to vote dollars out of the pockets of the American taxpayers and into the coffers of our Shipping Board.

Mr. President, I realize that the Shipping Board has changed in personnel within the last two months. I waited before saying a word upon my resolution in order to see what the trend of the policy of the new Shipping Board might be. If I had seen a radical change, if I had seen that they canceled the cost-plus contracts under which we are being bled at every artery by a cost that is staggering, and under a policy that this Congress has condemned, I should have waited longer before speaking. Moreover, if I had seen that there was any change in the attitude of the present Shipping Board, the new Shipping Board, toward labor, I would have waited; but no; they have not only adopted the policies of the old board with respect to American seamen, but they have pushed them even further, until there is a feeling on the part of the American seamen in this country toward the American merchant marine that is one of open hostility and antagonism. Sir, that is not the policy of our great rival, Great Britain. She has adopted a policy of cooperation with the Seamen's Union of Great Britain. As I said on the 25th day of July in that branch of the discussion which I then engaged in, she has turned over to the British Seamen's Union the employment of the men who shall operate the ships under the British Jack. They are working in harmony. Their sailors accepted the 15 per cent reduction, just as our sailors, as shown in the correspondence which I submitted here on the 25th of July, were ready to accept the 15 per cent reduction; but, no, there is a spirit of hostility here on this side of the Atlantic different from the spirit prevailing over there. Why? Because the men who are benefiting under the taxation which we are imposing upon the American people are more interested in the upbuilding of the British merchant marine than in the upbuilding of an American merchant marine. I have the proof of that statement, and I am prepared to establish that fact.

Men who are masquerading as the sponsors of an American merchant marine are the emissaries of Great Britain. They are to be found in the Commerce Department of this Government; they have had their representatives there for years. I know some of the new members of the Shipping Board, and I have as much confidence in their integrity as I have in my own; but they are so surrounded, just as Congress is, with respect to news, that they can not get the light from the outside.

I called the attention of the Senate on Saturday night to the fact that a man had been appointed to investigate the operations in this country of the British merchant marine and the British Government in confining, undermining, and destroying the effect of all the appropriations that we are making here. That man was Roscoe C. Mitchell, assistant to the special commissioner in Europe, and it was made to Capt. Foley, Director of Operations, United States Shipping Board, under date of March 14. It was a mighty important report. Mr. Mitchell went out of office after having made it, and Foley is out of office to-day.

It was an exposé of what is going on upon the other side. I shall not tax the patience of Members to read from that report now. I shall print it, unless it is called for. It is well worth your reading. It is well worth your consideration before you vote another dollar in support of this enterprise that is reaching into the Treasury day by day up to its armpits.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

Notwithstanding the natural advantages I have enumerated and the fact that England enjoyed a practical monopoly as the sea carrier for the great part of the world during the half-century period when the American exporter and importer was satisfied to move his merchandise in British bottoms, I am fully convinced that the shipowners of the United Kingdom have adopted other means by which they hope to eliminate the United States as a serious competitor on the high seas.

Propaganda is the new weapon, and to-day they are conducting an active campaign within our own borders. Their object is to discourage the American people from supporting Congress in placing our mercantile marine upon a firm footing. Daily utterances in the news and editorial columns of the English press are of such tenor as to justify this statement, but, as additional proof, I cite the fact that Britishers well versed in all maritime matters have admitted to me that this method of breaking down our peace-time morale already has been employed with considerable success.

"Lack of stability. * * * Failure to adopt and adhere to definite policies. * * * Extravagance in the operation and upkeep of ships. * * * Desire of inexperienced operators to become millionaires overnight. * * * Tendency to form shipping alliances with Germany." These are some of the criticisms directed at the Shipping Board and shipping industry in the United States by our friends across the sea. Unlike America, where interest in the success or failure of our mercantile marine is confined almost entirely to those actively engaged in the industry, every man you meet in England can discuss intelligently all questions having any bearing on the British Empire's maritime policies. Shipping is the very heart of English commerce and industry, and from their school days the youth of the Empire are taught to think in terms of ships. Shares in shipping companies are purchased by the public with a greater degree of confidence than are bonds of the British Empire. I was impressed by a practical demonstration of this fact in January of this year, when, despite the economic conditions in the United Kingdom, the new issue of £4,000,000 7 per cent debenture stock offered to the public by the Cunard Steamship Co. was oversubscribed within a few days. What better proof could be given of the deep-rooted confidence of the British public in the future of the shipping industry?

BRITISH COMPETITION AND PROPAGANDA.

Mr. LA FOLLETTE. In this statement of a trained observer who was abroad for the very purpose of studying the questions upon which he reported, we are brought face to face with the fact that we must not only expect from Great Britain every form of competition which the law permits and which ingenuity can devise, but we must be prepared to combat insidious propaganda calculated to nullify our efforts to secure that portion of the maritime commerce of the world to which we are justly entitled. It behooves us then to see to it that so far as possible every person connected with our merchant marine shall be not only an American but that he shall be loyal to American interests when they are opposed to British interests. This ought to be true of every man on board of every ship from the captain to the humblest seaman; and of every employee in every department from the chairman of the Shipping Board to the least important clerk.

It is perhaps not amiss that we should pause at this point long enough to inquire why we have spent billions of dollars to build up a merchant marine and are pledged to a policy of spending hundreds of millions more in order to maintain it. Those reasons are declared in the very statute which gives life to the Shipping Board and from which it derives its power. The first section of the merchant marine act of 1920 provides:

That it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States; and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine, and, in so far as may not be inconsistent with the express provisions of this act, the United States Shipping Board shall, in the disposition of vessels and shipping property as hereinafter provided, in the making of rules and regulations, and in the administration of the shipping laws, keep always in view this purpose and object as the primary end to be attained.

Our declared purpose therefore in building a merchant marine was twofold. One was because of its military or naval value in time of war, the other because national self-interest requires that our overseas commerce in time of peace should be carried on in our own ships. I assert, sir, that the reason, and the sole reason, why we had practically no merchant marine at the outbreak of the late war was because national interests, the real purpose for establishing a merchant marine as laid down in this statute, had never been regarded by American capitalists, and if the present attempt to create and maintain an American merchant marine with all its expense and tax burden and sacrifice on the part of the people shall fail it will be for the same reason.

The masters of American finance have not in the past considered a merchant marine from the point of view of national interest either in peace or war, and the national interest is receiving no consideration at their hands to-day. The one question which has been considered has been the question of profits. How can the greatest profit be made in carrying our products abroad and in bringing to our people what they need or desire from other countries? That has been and still is their sole object. If the greatest profit could be made by conducting our overseas commerce under the British flag, that has been done. If it is thought necessary to camouflage or conceal the British influences in our shipping business, that has been done. But the consideration of national interest, protection in war, fair rates, and good service in peace for all the people is a purpose

which has found no place in the plans of the shipping masters of this country.

And yet, sir, Senators can not find justification for voting a soldiers' readjusted compensation upon a basis that I believe to be sound and righteous; but Senators upon this floor can find reasons for supporting the United States Shipping Board in its enormous drafts upon the Treasury, for supporting the railroads in their enormous drafts upon the Treasury, for supporting the builders of warships in their enormous drafts upon the Treasury, for the support and maintenance of a standing Army greater than we have ever had before at a time when no nation in the world can by any possibility make war upon us. Senators who can find reasons for supporting these enormous and almost unlimited appropriations, and can not find justification for readjusting the pay of the men who were torn away from their homes and sent in contravention of every understanding of the meaning of the Constitution of the United States down to that hour across the seas to fight in a foreign country, will be able, I presume, to find reasons for voting continued appropriations to a shipping board that supports British shipping vastly more than it does an American merchant marine, or at least those Senators are not so imbued with a desire to defend the Treasury against the inroads that have been made by the Shipping Board, that they have raised a question here on this floor as to the enormous appropriations that have already been made under the guise of taking care of deficiencies; and I have heard on this floor up to this hour no protest, sir, against the appropriation of \$300,000,000 that some four to six weeks ago we were warned by the Senator from Washington [Mr. JONES] would be found necessary to continue the operations of the Shipping Board.

Mr. JONES of Washington. Mr. President—

The PRESIDING OFFICER (Mr. LADD in the chair). Does the Senator from Wisconsin yield to the Senator from Washington?

Mr. LA FOLLETTE. I yield, with pleasure.

Mr. JONES of Washington. I should just like to correct the Senator in one mistake. I did not say three hundred millions; I said one hundred millions. That was the amount that was estimated at that time. Since then, however, the estimate has been raised to three hundred millions, but I had in mind only one hundred millions.

Mr. LA FOLLETTE. My recollection was that the Senator stated that there was a deficiency of three hundred and eighty millions, and that an appropriation of three hundred millions would be necessary to save the situation.

Mr. JONES of Washington. No; the Senator no doubt saw that in the statement that was given to the press, but it came from the chairman of the Shipping Board, not from me. I did not know that any such statement as that was coming out when I made my statement on the floor.

Mr. LA FOLLETTE. The Senator made his statement on what the chairman of the Shipping Board had already informed him, I presume.

Mr. JONES of Washington. On what he had told me; and when he told me, he estimated only one hundred millions.

Mr. LA FOLLETTE. Yes; but subsequently he found that it should be three hundred millions?

Mr. JONES of Washington. Yes.

Mr. LA FOLLETTE. And had the Senator made his statement after the chairman of the Shipping Board found that it should be three hundred millions, he would have said that it should be three hundred millions?

Mr. JONES of Washington. Oh, yes; certainly.

Mr. LA FOLLETTE. Yes. So we are not very far apart, Mr. Chairman, excepting that I did not state the matter exactly as the chairman of the Committee on Commerce had stated it, but, rather, as he would have stated it if he had waited for the further statement of the chairman of the Shipping Board, I take it from what he says.

Mr. JONES of Washington. Possibly so, although I must say that when I examined the figures of the chairman of the Shipping Board upon which he made his estimates I did not understand just exactly how he reached that total. In the amount that we spent during the last year in the operation of the ships he had receipts of \$200,000,000 from the sale of ships. I am satisfied that that is wrong. I do not think we have received any \$200,000,000 from the sale of ships. We may have sold ships on contracts aggregating \$200,000,000, but I am satisfied that we have not received that much money; so I think probably there was a little mistake in the bookkeeping there, although I may be wrong in that. I think not, however.

Mr. LA FOLLETTE. But, even if there was, it was against the Government and not in its favor. We have not received that money; we may not receive that money.

Mr. JONES of Washington. No; it was really against the estimate of the chairman of the Shipping Board as to what we shall need next year. He based his estimate for next year upon what he claimed we had received and spent during the past year. Now, if we had not received \$200,000,000 from the sale of ships, we had not spent \$200,000,000. He may be right and I may be wrong. There is not any question, however, but that we have a deficit that we will have to meet.

Mr. LA FOLLETTE. Well, Mr. President, I do not think it makes so much difference whether it is \$100,000,000 or \$300,000,000.

Mr. JONES of Washington. No; I do not, either. I agree with the Senator on that.

Mr. LA FOLLETTE. The question is, Is it being spent in the interest of the American public? That is the great question; and if it is not, not a dollar of it should be appropriated.

Mr. JONES of Washington. I agree heartily with the Senator in that statement.

Mr. LA FOLLETTE. I have unlimited confidence in the integrity of the Senator from Washington, the chairman of the Committee on Commerce, and in his capacity to deal with this question; but when it comes to voting this money each Senator is going to be answerable to his constituents, not upon the judgment of the Senator from Washington, but upon his own judgment; and in some respects, when it comes to the determination of the question in whose interest in a large way this money is being expended, I may disagree with the Senator from Washington as to that, as a matter of judgment. Upon my investigation I am prepared to say to Senators where I think the real benefit of the money is going. I put it upon the facts that I have gathered. I lay them before the Senate. I do not say that they are conclusive. If they were, my resolution would not have any place in the Senate, because all that it would be necessary to do would be to lay the facts before the Senate and they could determine the matter; but my resolution is just for an investigation, and all I propose to do and all I am called upon to do is to lay before the Senate facts enough to warrant an investigation, to demand an investigation before a vote is taken on the matter. That is what I take my office to be.

Mr. MOSES. Mr. President—

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from New Hampshire?

Mr. LA FOLLETTE. I yield to the Senator from New Hampshire.

Mr. MOSES. Has the Senator quite finished with his comparison between the condition of the American seamen and the British seamen to which he referred in the opening portion of his remarks?

Mr. LA FOLLETTE. Mr. President, I want to say to my friend from New Hampshire that I only just touched it. I made a speech of an hour and a half or two hours on that subject here on the 25th day of June, and I beg to refer the Senator to that speech.

Mr. MOSES. Yes; that is the very point. I heard that speech, and there were some things in it which I had vaguely in my mind, and I have since refreshed my memory, and I find things in that speech which lay in my mind nebulously—that is to say, in that speech the Senator enumerated five points of difference between the organized seamen and the Shipping Board—five specific refusals of the Shipping Board to meet the requests of the organized seamen.

Mr. LA FOLLETTE. Yes; I did.

Mr. MOSES. But what I wish to ask the Senator—and I do not find that in his speech—

Mr. LA FOLLETTE. It is there.

Mr. MOSES. Yes; I do find that, but the thing I do not find in his speech, and that I wanted to ask the Senator about, was whether in the settlement in Great Britain those five points were conceded by the British Board of Trade, or whether the British Board of Trade, which still continues its functions, was considering those points, or whether they had been settled.

Mr. LA FOLLETTE. Mr. President, as I stated, if the Senator would do me the great honor to read the speech carefully, he would find the answer to his question. We know how it is. We have now just a handful of Senators present in the Chamber, and unless Senators who are absent shall read what one says here it counts as if it had not been said. I stated in that speech that "British seamen accepted a wage cut of £2 10s. per month, amounting to about 15 per cent of their war-time wage, other conditions remaining unchanged."

Mr. MOSES. I have not been able to find that.

Mr. LA FOLLETTE. It is there, and it is there stated very plainly, and it is the fact, Mr. President; and it illustrates in a very pointed way the difference between the British treatment of their seamen and our treatment of American seamen in

this country, I do not care whether they are organized or unorganized.

The seamen in this country in their controversy with the Shipping Board got to a point where they were prepared to state and did state and specifically requested as the only condition of priority of employment on American ships that they should be American citizens—that is all; not union men as against nonunion men, but American citizens—and the Shipping Board denied that, and the organization known as the owners of steamship lines denied it.

I ask Senators if you can hope in any way to build up an American merchant marine when you will not give preference to American citizens to sail under the American flag? Is it not worth your while to note that the attitude of Great Britain is very different in that respect? I shall read to you, if Senators care to follow me here, the contracts with respect to the British ships which require how they shall be operated, how they shall be run under the British flag, manned by British subjects, and operated under conditions which shall be satisfactory to the British Board of Trade, and in case of differences arising—and I am speaking now of British vessels which are affiliated with so-called American organizations, and getting the benefit of the appropriations which we are making—those differences shall be determined by the Lord Chancellor of Great Britain, and his decision shall be final.

Mr. MOSES. Mr. President, no one can controvert the position which the Senator from Wisconsin has taken, that the American merchant marine must be manned by American citizens if it is to be an effective organization.

Mr. LA FOLLETTE. I am glad to have the Senator agree with me on that.

Mr. MOSES. I did not think, however, that the decision arrived at by the Shipping Board under the fatuous and expensive administration of Admiral Benson, when he was its chairman, was permanently conclusive, and I did not suppose that the men were prohibited from reopening that question with the new personnel of the board.

Mr. LA FOLLETTE. Nor were they, Mr. President. But the attitude of the present board has been just exactly the same as that of Admiral Benson, who has been retained on the board, and the result has been that American sailors have been driven off American ships. Where they have gone on at all, they have gone on with heartburning and with resentment, and with a determination to renew the struggle as soon as they have earned enough money to do it. But, Mr. President, you can not hope to build up an American merchant marine with such a condition as that existing between American sailors and the Government which operates the American merchant marine.

Mr. MOSES. Is the Senator asserting that this question has been laid before the new Shipping Board and that a negative answer has been given to it?

Mr. LA FOLLETTE. I am asserting, and I asserted it on the 25th of last month on this floor, with facts piled upon facts to show that the present Shipping Board has not only assumed all of the positions taken by its predecessors, but has gone even further.

Mr. MOSES. I did not so understand it, Mr. President. My understanding was that that was a matter which the new Shipping Board intended to take up after it had gone through the tangled mess of accounting and everything else it found there and discovered just where it was with reference to all of its problems. I have no official knowledge, but simply that gained from conversation with members of the board.

Mr. LA FOLLETTE. I have not a bit of doubt but that the Senator from New Hampshire, in talking with individual members of the board, may find some of them taking that attitude. But that is not the policy which the board has adopted and is enforcing. That policy has disorganized all of the American seamen, as such, who were manning, to the extent of more than 60 per cent, the American merchant marine at the time the war ceased, and, indeed, down to the time when this controversy arose. It is a deplorable condition. It calls for the honest, sincere investigation of every man in the Senate who believes in building up an American merchant marine and who expects to vote the money of the people to do it.

To establish an American merchant marine, it must be manned by American sailors, American citizens. When we passed the seamen's act in 1915 there were but 5 per cent of the seamen employed upon ships sailing under the American flag who were American citizens. Under the beneficent provisions of the act known as the seamen's act we continued to draw from other occupations back to the sea men who had left it because its employment entailed degradation unspeakable.

Under the beneficent provisions of the seamen's act of 1915 we won back to the sea American sailors; so that when this raid

was made a few months ago we had over 51 per cent of American citizens on the ships sailing the Atlantic—very much more than that on the Pacific—and we had at least 10 per cent additional who had declared their intention to become American citizens. So that it is fair to say that we had won back to the sea American citizens so that we had 60 per cent in our merchant marine instead of the 5 per cent, which was the number before the seaman's law was passed.

One of the most important propositions the Senate has to solve is the question of this British influence, and in support of that statement I ask the attention of Senators to a speech made by the distinguished chairman of the Committee on Commerce of the Senate [Mr. JONES of Washington] no longer ago than January 22, 1921.

That is pretty recent. That deals with conditions as they now are, unless it shall be shown that the new men on the Shipping Board have radically changed them; and I am going to show that they have confirmed them, as far as British influences are concerned, by the employment of men who have British affiliations—that they have entrenched British interests—and when that is shown the statements made by this man, this colleague of ours, who sits at the head of the table in the Committee on Commerce, and whose integrity and high purposes and loyalty to this Government nobody can question, about those conditions I think are pertinent and worthy the interested attention of Senators. He had more to do with framing the merchant marine act of 1920 than anyone else. His profound study of this subject entitles his every utterance upon it to the greatest consideration.

The speech to which I refer was not delivered in the Senate, but was delivered at the second annual convention of the National Merchant Marine Association here in Washington on the 20th of last January. The speech, however, was very properly put into the RECORD by the Senator from Tennessee [Mr. McKELLAR], and is found in the RECORD of January 22, 1921, at page 1887.

Mr. President, I know how busy Senators are. I doubt if there are four Senators in this Chamber who have read that speech. I would be glad to have anyone who is present, outside of the Senator from Washington [Mr. JONES] himself, who has read that speech to arise in his place and state that fact.

Mr. MOSES. The Senator has no takers.

Mr. LA FOLLETTE. The Senator from New Hampshire says there were no takers to my proposition to have some Senator arise and say that he had read that important speech. So that justifies me, Mr. President, in reading from it.

The warning words of the able chairman of the Committee on Commerce, the Senator from Washington [Mr. JONES]—I am quoting from page 1887 of the RECORD of January 22, 1921. That is only six months away, in round numbers. Read it, Senators. It is worth your reading. I quote as follows:

Our principal competitor for the world's carrying trade is Great Britain. She will do everything possible to keep us off the sea. Her citizens have vast and far-reaching business connections with our people.

The chart now on the wall shows a little section of that, and there are revelations to follow.

She has been so long dominant in shipping that her citizens control many of the great financial, industrial, and transportation interests in this country.

Every word weighted with thought and indicating a knowledge of conditions to the last detail.

They will use and are using this power to defeat our efforts to build up an American marine. Their attacks will be most insidious where that is the wisest course to follow—bold and daring where that is best—but they will always keep in view the one great thing—success for British trade and shipping.

We fight their battles in many ways—

"Their battles"—the battles of Great Britain.

Every man who discourages American enterprise from going into shipping, every newspaper that uses its columns to discredit our efforts and our laws to build up an American marine, gives aid and encouragement to our competitors. Some act unwittingly; some, I fear, purposely.

That is, some American newspapers.

As the Senator well says, every effort to discredit our laws designed to build up an American merchant marine gives aid and comfort to our competitors. That there is an organized effort abroad to discredit our seaman's law no one doubts who is at all familiar with the facts. Upon the existence and enforcement of that law we must depend for securing American seamen and American officers for our merchant marine. We must also depend upon it to equalize whatever difference there is in wage cost between the United States and our competitors.

That law was imperfectly administered after it was passed in 1915. Mr. Redfield, the then Secretary of Commerce, influenced by a man who has held his position there under all administrations and who, I assert, has served British interests

rather than American interests—I refer to Chamberlain, the Commissioner of Navigation in the Department of Commerce.

Mr. President, I will digress just long enough to say that when the seamen's law was passed and signed by President Wilson on March 4, 1915, we were paying higher wages for seamen upon American ships than were paid by foreign ships which were loading at our ports and sailing out of those ports; but provisions in the seamen's act released an economic law that made it impossible for a foreign ship to leave our ports unless she paid the same wages as American seamen were paid on ships under the American flag. That worked out so that inside of two years all up and down the Atlantic coast and the Pacific coast every vessel that cleared from an Atlantic port or Pacific port paid American rates of wages that equalized the cost of operation on every cargo that left our shores. Under those conditions not only did we win back to the sea from 5 per cent of American sailors, which was the outside limit when the act was passed, to 60 per cent of American citizens on all ships leaving Atlantic seaports, but a very much larger number than that on all ships leaving the Pacific seaports. That was accomplished in four or five years. There are just two ways of equalizing that wage cost. One is by enforcing the provisions of our seaman's law, thus compelling our competitors to approximate at least our standards of wages and working conditions; and the other is to break down and destroy the provisions of the seaman's act so that we can man our ships with the cheapest of foreign labor and bring American seamen to the level of the cheapest foreign labor.

No one knows better than Great Britain how fatal that latter policy would be to our plans for an American merchant marine; hence the insidious propaganda manifesting itself to-day in the newspaper publications and the efforts of some individuals and organizations to weaken or destroy our maritime code. A raid is being planned on the seaman's law. Everybody who has kept up with the facts understands that.

I am permitted to quote from a personal letter of J. Havlock Wilson, president of the Sailors and Firemen's Union of Great Britain and Ireland, and member of the marine board, written to Andrew Furuseth, president of the International Seamen's Union of America, on June 14, 1921, where it is said:

It may be perfectly true that there is some understanding amongst them (the International Shipping Federation) with regard to the shipping legislation of the United States. I am using all my time, and every time all my influence, to get the British shipowner to see that he is fighting a shadow when he is fighting the United States shipping law.

There is an organization in Great Britain—and I am going to submit its articles of incorporation in the course of the discussion which I wish to make upon this subject—to control legislation in the interest of British commerce all over the world. There never has been an hour while we have been pouring the hundreds of millions of dollars in taxes which have been levied upon the people into the upbuilding of a merchant marine when that organization has not been in operation in this country in order to control legislation in the interest of the British mercantile marine.

Of course, the British seamen are for the maintenance and extension of the United States seamen's legislation, because that legislation must ultimately result in raising the standards of living for British seamen, but the British shipowner, as we see from this letter, is engaged in fighting that law, and more than that, has enlisted all of the powerful interests in the International Shipping Federation for the same purpose. That is the federation which is organized under a charter which I propose later on to lay before the Senate. I shall not be able to do it to-day, but in subsequent discussions of this subject I propose to get everything before the Senate, and I will bring that forward. Forewarned against this foreign-born propaganda, no friend of the American merchant marine will be deceived by it.

Turning to the speech of the Senator from Washington [Mr. JONES], from which I have previously quoted, I desire to read a few additional paragraphs. He said:

Great business interests, supposed to be American—

There is one of them in that black frame in the center of the chart that hangs upon the wall of the Senate. It is called the International Mercantile Marine Co., owning 55,000 tons of shipping. I am going to speak of it and its British control before I get through.

The Senator says:

Great business interests, supposed to be American, are subordinating American interests to British interests. British shipping interests and the British Government are pulling strings behind the scenes and Americans are stifling American shipping and thwarting American efforts.

I quote further:

A short time ago a reputable gentleman from Newark, N. J., told me of his experience in attempting to establish a shipping line between Newark and England. He applied to the Shipping Board to buy or

charter Government ships for this purpose. His application was referred to the Shipping Board's representative in New York, and he said he was opposed to it. On being pressed for his reasons, he said that the establishment of such a line would injure the business of British lines sailing out of New York.

In that same speech Senator JONES said that the International Mercantile Marine Co., which is one of the principal shipping concerns of the United States—and I quote now Senator JONES's language—had "entered into an agreement in 1903 whereby it bound itself for a period of 20 years to follow no policy that would injure British shipping or British trade." This International Mercantile Marine Co., with which Morgan is tied up, and the Guaranty Trust Co. of New York, and the National City Bank, as I shall show, surrounded by British affiliations and tied up with British interrelations that control it absolutely, is under a contract that it will follow no policy that would injure British shipping or British trade for a period of 20 years; and I say to you that this International Mercantile Marine Co. is all-powerful, and is represented officially in the organization of the present Shipping Board. In saying that I lodge no charge against any member of that board. I know some of the members. We all know former Senator Chamberlain. I know at least one other member of that board. But, Mr. President, that board is surrounded by and is in the hands of an organization that has prevailed there since its creation.

I shall have to repeat just a few words here to get my connection.

In that same speech Senator JONES said that the International Mercantile Marine Co., which is one of the principal shipping concerns of the United States, had "entered into an agreement in 1903—now just pin that date down—whereby it bound itself for a period of 20 years to follow no policy that would injure British shipping or British trade," and the Senator quoted certain paragraphs from that contract and continued:

In brief the International Mercantile Marine Co., organized under American law and claiming to be an American company, obligates itself to pursue—

To pursue "no policy injurious to the interests of the British mercantile marine or of British trade"—

and in case of any dispute arising out of the agreement, whether of law or of fact, the lord high chancellor of Great Britain is to decide such dispute, and his decision is final.

I will not take time to read further from this notable address, but it should be read in its entirety by every person interested in this subject.

Even more illuminating than the address itself is the series of events which followed its delivery and its insertion in the CONGRESSIONAL RECORD. I want to say that it stirred up something.

Mr. MOSES. Mr. President, the Lord High Chancellor of England seems to be popular in British disputes. He settles this dispute between the companies. He also settles the dispute between the unions and the companies.

Mr. LA FOLLETTE. Yes, sir.

Mr. MOSES. British interests will not lose anything in either case, I take it.

Mr. LA FOLLETTE. No. You can just rest assured that British legislation does not overlook a point in this game of controlling the commerce of the world, and making everybody contribute to tail it up and support it and appropriate money for it.

Even more illuminating than the address itself is the series of events which followed its delivery and its insertion in the CONGRESSIONAL RECORD. The president of the International Mercantile Marine Co., P. A. S. Franklin, at once took issue with some of the statements made by Senator JONES in the address from which I quoted. Thereafter, on January 25, 1921, the Senator from Washington placed in the RECORD three agreements of the International Mercantile Marine Co. with the British Government, dated, respectively, August 1, 1903, October 1, 1910, and September 2, 1919. These agreements will be found in the RECORD of January 25, 1921, pages 2041-2042.

INTERNATIONAL MERCANTILE MARINE CO. AND THE SHIPPING BOARD.

Two days after the above contracts were printed in the CONGRESSIONAL RECORD—that is, on January 27, 1921—the United States Shipping Board held a meeting, at which, by invitation of the board, Mr. P. A. S. Franklin, president of the International Mercantile Marine Co., attended with his attorney, J. Parker Kirlin. And they were invited by the Shipping Board to explain the situation existing between the International Mercantile Marine Co. and foreign Governments. Something like 75 or 80 pages were devoted by Mr. Franklin and his attorney to that explanation. I will have more to say about that testimony a little later.

No action was taken in respect to the matter by the Shipping Board, however, until the 3d day of March following the hearing on the 27th of January, when the board, in response, I believe, to a resolution, sent to the Senate a copy of the testimony and a copy of the contracts to which I have referred. The Shipping Board on the same day that it sent this material to the Senate held a meeting and passed a resolution which declared that Mr. Franklin's explanation was not satisfactory. And a copy of that resolution was transmitted to the Senate with the other papers. Why it was necessary to wait from January 27 to March 3 before taking any action in the matter the Shipping Board has not explained.

The following is the resolution adopted by the United States Shipping Board at its meeting on March 3, 1921, a copy of which was transmitted to the Senate on the date of its passage:

Whereas a hearing was granted the International Mercantile Marine Co. by the United States Shipping Board with reference to a certain agreement dated August 1, 1903, between the Commissioners for Executing the Office of Lord High Admiral of the United Kingdom of Great Britain and Ireland, the Board of Trade (for and on behalf of His Majesty's Government), the International Mercantile Marine Co. and certain British companies, which said agreement provides among other things:

(a) "The term 'the association' hereinafter used means the parties hereto of the second and third parts and also includes any other company, corporate or unincorporate, partnership body, or person, whether British, American, or other foreign, which by any arrangement is admitted to or brought under the control of the association or any of its constituent parts for the time being;"

(b) "PAR. 8. If at any time hereafter during the continuance of this agreement any other company, whether corporate or unincorporate, partnership body, or person, whether British, American, or other foreign, shall be admitted to or brought under the control of the association or any of its constituent parts for the time being the association shall give notice thereof to His Majesty's Government and shall furnish all such particulars with regard to terms, parties, or otherwise as the Government may reasonably require."

(c) PAR. 10. This agreement shall have effect for 20 years from the 27th of September, 1902, and shall continue in force thereafter subject to a notice of five years on either side (which may be given during the continuance of this agreement), provided that His Majesty's Government shall have the right to terminate this agreement at any time if the association pursue a policy injurious to the interests of the British mercantile marine or of British trade;

(d) PAR. 12. In case of any difference as to the intent and meaning of this agreement, or in case of any dispute arising out of this agreement, the same shall be referred to the lord high chancellor of Great Britain for the time being, whose decision, whether on law or fact, shall be final; and

Whereas it was developed at said hearing that although said International Mercantile Marine Co. is owned practically in its entirety by citizens of the United States, yet that certain contract and agreement, dated August 1, 1903, together with certain agreements supplementary thereto between the parties above stated, is regarded by the United States Shipping Board as inimical to and not in harmony with the policy of the United States of America with respect to the development of its trade and commerce and merchant marine and at variance with both the letter and spirit of the merchant marine act, 1920:

Resolved, That the International Mercantile Marine Co. be, and it is hereby, requested and directed by the United States Shipping Board to so amend the said agreement of August 1, 1903, together with agreements supplementary thereto, as to exclude therefrom any and all vessels documented under the laws of the United States, to the end that said agreement and supplements thereto shall not be allowed to affect or apply to the ships operated by said International Mercantile Marine Co. at any time under the flag of the United States of America; and be it further

Resolved, That said International Mercantile Marine Co. advise the United States Shipping Board of its conclusion with respect to this resolution.

They would like to know what they think about it.

Concerning these agreements Mr. Franklin testified, or, rather, stated, at the hearing to which I referred, for he was not under oath, as follows:

In March, 1917, we sent those agreements to Mr. Denman, then chairman of the Shipping Board.

He was defending himself, you see. He was claiming that the Shipping Board had acted all this time with a full knowledge of the fact that the International was a mere tool of the British Government. That is what these agreements make it. He said:

In March, 1917, we sent those agreements to Mr. Denman, then chairman of the Shipping Board, and we have his acknowledgment of the receipt of the agreements. That was shortly after the Shipping Board was established. In January, 1919—first, in November, 1919, the agreements were sent to Judge Payne, then chairman of the Shipping Board—

Keep that date in mind—

In January, 1919, they were sent to Mr. Colby, a member of the Shipping Board, and in 1920 we wrote a letter to Admiral Benson, stating that we had left all of our agreements and discussed them all.

Mr. MOSES. What is the date of that letter?

Mr. LA FOLLETTE. The last letter to Benson is in 1920. I repeat:

In 1920 we wrote a letter to Admiral Benson, stating that we had left all of our agreements and discussed them all.

Following this testimony by Franklin it is my recollection that John Barton Payne declared that the agreement had never been brought to his attention.

I am taking Mr. Franklin's testimony, however.

It appears, therefore, that these agreements had been in the possession of the board since March, 1917; that they had been thoroughly discussed before the members of the board; and it was not until March 3, 1921, that the board reached the conclusion that they were inimical to and not in harmony with the policy of the United States of America with respect to the development of its trade and commerce and merchant marine, and at variance both with the letter and the spirit of the merchant marine act of 1920. Whatever delay may have occurred prior to March 3, 1921, it was to be expected, of course, that the International Mercantile Marine Co. would yield prompt obedience to the resolution of that date, a copy of which was at once furnished to Mr. Franklin by the Shipping Board.

Mark you, the date of that resolution was the 3d of March, 1921. On July 18, 1921, I addressed a letter to the Shipping Board, in which I asked to be advised what action the International Mercantile Marine Co. had taken in response to the directions given by the Shipping Board in its resolution of March 3, 1921. Sufficient time had certainly elapsed for compliance with the resolution if compliance with it was intended. Under date of July 22, 1921, I received a reply from the chairman of the Shipping Board—that was only a few days ago. I quote from that letter, as follows:

Mr. P. A. S. Franklin, president of the company, replied to the resolution of the board, under date of March 9, 1921, to the effect that his company would give the matter their very serious attention with a view to meeting as nearly as possible the wishes of the Shipping Board.

As the Senator from New Hampshire [Mr. MOSES] suggests, "Yours received and contents noted," and let it go at that. I still quote from the letter received from Mr. Lasker:

It is the understanding of the board that negotiations between the International Mercantile Marine and the British Government, resultant from the board's resolution, are practically concluded, and I have communicated with the International Mercantile Marine and have asked it to apprise me of the situation at the moment. I will advise you of their reply.

Yours, very truly,

A. D. LASKER, Chairman.

I have not yet heard. Last March this resolution was passed. March 3 Mr. Franklin was advised. March 9 he acknowledged receipt of the resolution. July 22, no change in the situation, contracts still in existence, and in the meantime the International Mercantile Marine is a big spoke in the wheel of the United States Shipping Board and prominent officials connected with it are in charge of the allocation of our ships and the direction of operations. I shall come to that a little later.

In this connection I call attention to the statement given to the public by Mr. Franklin on March 5, 1921, as found in the New York Times of that date, page 23, column 2, wherein, referring to the March 3 resolution of the Shipping Board, he said:

The decision of the Shipping Board does not in any way conflict with our present organization or method of conducting our business. It has been clearly understood for the last 19 years, since the first agreement was executed between ourselves and the British Board of Trade relating to our British flagships, that the agreements do not apply directly or indirectly to American flagships owned by the company or operated by it.

I am going to show just how near the truth that statement is which was given out to the public by this man Franklin.

Having thus politely informed the board that there was nothing in its decision or resolution which required any change in the structure or methods of his company, Mr. Franklin with a touch of humor adds:

I see no reason now why the company should not comply with the desires of the board, as reported.

The resolution of the Shipping Board referred to does not touch the real iniquity in the relationship between the International Mercantile Marine Co. and the British Government and British shipping interests, and shows but a very limited comprehension of the seriousness of the problem with which they were dealing. Either the Shipping Board purposely set up a man of straw for Mr. Franklin to demolish, or it had not the least conception of the manner in which British influences controlled the International Mercantile Marine Co. The mandate of the board to Mr. Franklin was that he so "amend" his agreements with the British authorities "as to exclude therefrom any and all vessels documented under the laws of the United States." Of course, these agreements do not include by their terms ships documented under the laws of the United States, and therefore to amend these agreements so as to "exclude" such ships leaves the agreements exactly where they were before. As the matter stands, Mr. Franklin has been given the opportunity by the Shipping Board, whether wittingly or unwittingly I do not know, to make a brave showing of complying with its orders without effecting the least change in the organization or methods of his company.

A little later in this discussion I will point out exactly how these contracts and the system of interlocking directors gives

complete control of the business resources of the International Mercantile Marine Co. to the British Government and the masters of British shipping.

What I now wish to point out is that the Shipping Board almost from the time of its organization has known of these contracts and has known that the International Mercantile Marine Co., besides operating a few American ships, was merely a holding company for British shipping corporations. On the 27th of last January, when public attention was called to the matter, the so-called investigation was held by the Shipping Board, at which no one was heard but the president of the International Mercantile Marine Co. and his attorney.

A fine method, certainly, to arrive at the truth. Meanwhile that company continued to receive generous allocations of American ships on the theory that it was a real American company. I mean by that company the International Mercantile Marine Co.

A report of the Shipping Board under date of February 7, 1921, shows the International Mercantile Marine Co. in control of 27 Shipping Board ships by allocation; dead-weight tonnage, 247,893 tons; and that these ships included some of the best American vessels controlled by the Shipping Board. In the meantime the Shipping Board allowed the whole matter to slumber until the report to which I referred was made to the Senate at the very close of the last Congress on the 3d day of March, 1921. Is there a Senator here who can believe for a moment that the powerful influences of Great Britain were not at work in our official channels to hold that investigation back and to suppress the truth?

Then the resolution was sent to the Senate which required Mr. Franklin to amend his contracts so as to "exclude" something that was not in them, and there the matter has rested. Whether this is merely a record of incompetence or worse in this matter, I am not prepared to say. I am speaking of a committee of investigation that will determine this, and I am speaking of an investigation which I believe the Senate will feel constrained to demand before I get through. I am simply stating the facts. But if the British Board of Trade had directly controlled the affairs of our Shipping Board during the time, it could not have done worse for the American merchant marine than our Shipping Board has done.

I. M. M. BOUND TO THE BRITISH GOVERNMENT BY CONTRACT.

In order to appreciate the full significance of the part played by Great Britain in the affairs of the International Mercantile Marine Co., and through it the affairs of our merchant marine, it is necessary to examine somewhat critically the contracts already referred to and the organization and holdings of the International Mercantile Marine Co. I am not saying that that company is the only so-called American company dominated by British interests.

Now, mark you that. I have just taken a cross section of a portion of our shipping. I am studying other companies with very great interest, and find much to quicken and keep that interest alive. I am merely using it as an illustration—as a cross section of our merchant marine—to exhibit the manner in which British influence permeates the whole organization. There are other shipping concerns in this country claiming to be 100 per cent American which I believe are just as bad as the International Mercantile Marine Co. in the matter of British influence, or possibly worse.

Before taking up the contracts mentioned I call attention to the testimony and statements of Mr. Franklin, president of the International Mercantile Marine Co., in the hearing before the board on January 27 last.

Referring to the International Mercantile Marine Co., Mr. Franklin says, and I am quoting his testimony verbatim:

This is an American company—

That is, the International Mercantile Marine Co.—

This is an American company, owned by American shareholders, operated in the interests of American shipping and its stockholders, and its policy that it has pursued right straight through has been in advocating the upbuilding of the American merchant marine and conditions which we thought would assist materially in such upbuilding.

On page 2 of this testimony Mr. Franklin says:

During the last three years, or rather during 1916, 1917, 1918, 1919, and 1920, we have distributed to our shareholders in dividends, all American shareholders, as you will see, over \$30,000,000. We have paid off during that period \$31,000,000 of bonds, the great majority of which are held in the United States. Are the people of the United States any better off for owning this British property which earns a very big percentage of this or not? Is it an asset to the American merchant marine or not? We think it is.

That ends the quotation. Now, I want to comment on it a little bit. It is clearly Mr. Franklin's idea that so long as his company makes a handsome profit for the small group of Ameri-

can citizens who own its stocks and bonds it must be reckoned as an asset of the American merchant marine, although its every ship might sail according to the will of British directors and subject to the command of the British Admiralty. That is the fact about every one of its ships, as I shall show.

The International Mercantile Marine Co. owns outright, according to its late reports, the steamers *St. Louis*, *St. Paul*, *New York*, *Philadelphia*, *Finland*, and *Kroonland*. It also owns the stock of the Atlantic Transport Co., with six vessels, incorporated in West Virginia, and of the Belgium Red Star Co., with two vessels. (See Shipping Board Report No. 309, Feb. 7, 1921.) It has other holdings, consisting of stock held by it in the International Navigation Co. (Ltd.), incorporated under the laws of Great Britain. That company is indicated on the map underneath the other company and is inclosed by the red bracket, which in turn is a holding company for a large number of British shipping corporations controlling in the neighborhood of 1,000,000 tons of dead-weight tonnage. It is the ships of these latter subsidiary companies that Mr. Franklin claims are controlled through stock ownership by the International Mercantile Marine Co. and run in the interest of American shipping and constitute an asset of the American merchant marine.

I hope Senators will follow me and get that reasoning. But the fact is, as shown by these contracts, that these ships, nearly 100 in number, traversing every route of maritime commerce open to American ships, and enjoying the most profitable of the carrying trade from the United States, are just as completely British ships and subordinated to British interests as any ship which flies the British flag.

Now listen. The contract of 1903 between the British Government, the International Mercantile Marine Co., and the subsidiary British companies provides in its first paragraph that these ships shall be on an equality with all other British ships "in respect of any services—naval, military, or postal—which His Majesty's Government may desire to have rendered by the British merchant marine."

The second paragraph provides respecting these companies that "a majority at least of their directors shall be British subjects."

The third paragraph forbids the selling of any of these ships to other than British subjects without the consent of the British Board of Trade.

The fourth paragraph provides that the officers shall be British subjects, and such proportion of the crew as the British Government shall prescribe.

The fifth paragraph provides that these ships must be sold or let to the British Admiralty upon the Admiralty's demand.

The sixth paragraph provides for the building of ships for British companies.

The seventh paragraph deals with the manner in which other British subjects or corporations may become associated in the business.

The eighth and ninth paragraphs provide for the contingency of some one other than a British subject or corporation becoming connected with the enterprise, and subjects them to the terms of the agreement.

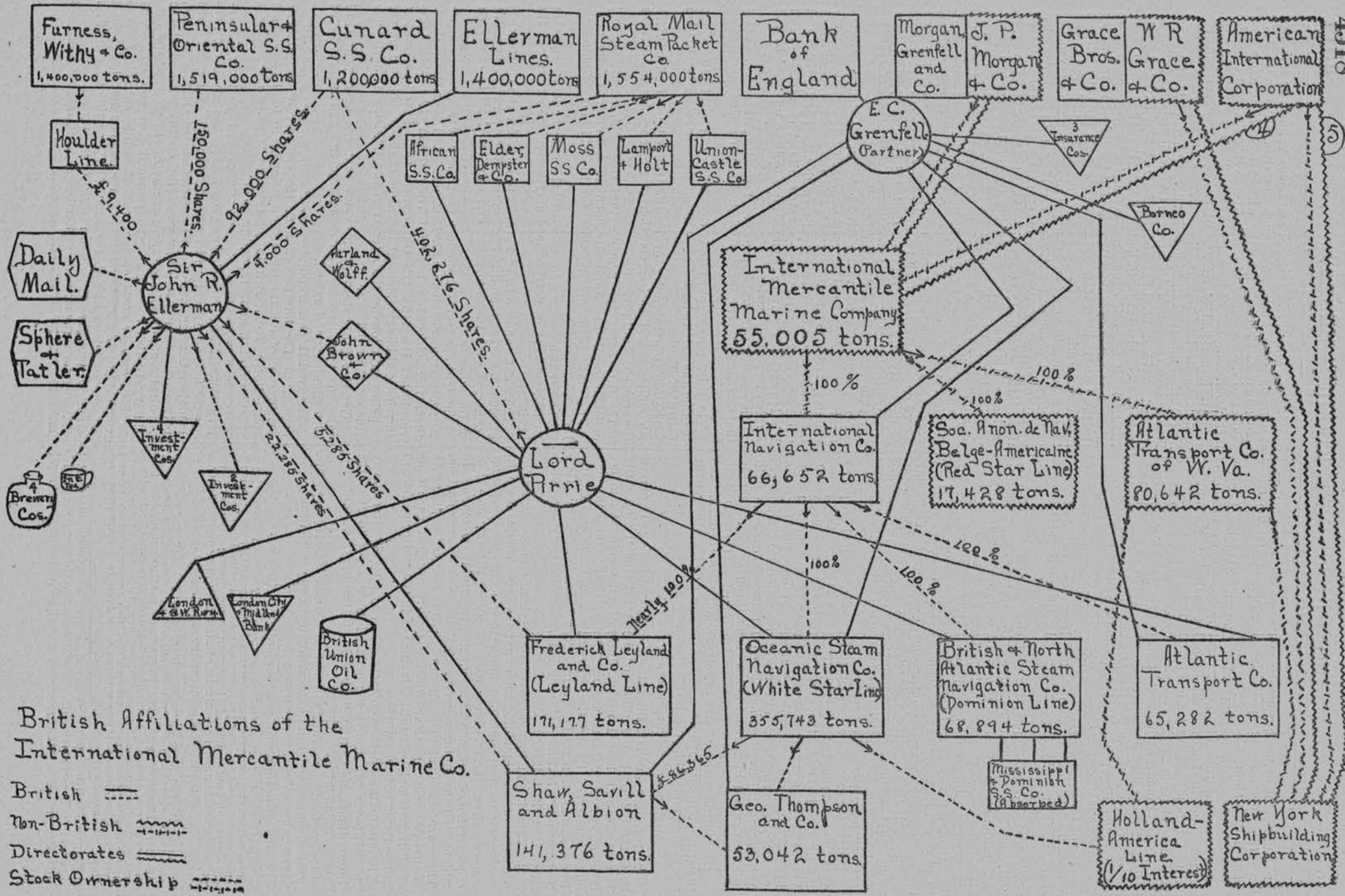
The tenth paragraph provides that the contract shall run for 20 years from September 27, 1902, and shall continue in force thereafter subject to a notice of five years on either side, "provided that His Majesty's Government shall have the right to terminate this agreement at any time if the association pursue a policy injurious to the interest of the British mercantile marine or of British trade."

The eleventh paragraph provides that the agreement shall take effect as a contract made in England and in accordance with the laws of England.

The twelfth paragraph provides that in the case of any difference as to the interpretation of the contract or any dispute arising out of it "the same shall be referred to the lord high chancellor of Great Britain for the time being, whose decision, whether on law or fact, shall be final."

I come now to the second agreement which controls the International Mercantile Marine Co. I have just given the Senate the first agreement, which was made in 1903; the second was made on October 1, 1910. The agreement of October 1, 1910, between the same parties increased the facility with which the Admiralty might obtain control of any of the ships of the subsidiary British companies, and provided that any such ships "which may be considered by the Admiralty suitable for the employment as armed cruisers or commissioned auxiliaries shall be sold or let on hire to the Admiralty" as therein provided. Great Britain saw something in 1910 from afar off.

A further agreement of September 2, 1919, is even more significant than the other two.



Paragraph 1 thereof provided respecting these subsidiary companies that—

No person shall henceforth be a director, managing director, managing agent, manager, or person to carry on or manage the business of any such companies unless his appointment shall be acceptable to the board of trade.

That means, of course, to the British Government.

Paragraph 2 places the entire management of the subsidiary companies under its English board of directors, and even assumes to extend the power and authority of such directors beyond that provided in their articles or by-laws.

Paragraph 4 provides that these subsidiary companies shall not be regarded "as a foreign-controlled company" as to the building, purchasing, and operating of vessels, and the acquisition of shares in other British steamship companies.

The succeeding paragraph provides that these subsidiary companies shall be on the same footing as all other British steamship companies which are free from foreign control as to any facilities or advantages for the development of the business, but if the British companies shall give notice for the termination of the principal agreement these advantages shall cease.

I. M. M. CONTROLLED BY ITS BRITISH SUBSIDIARIES.

It is evident from these contracts that the International Mercantile Marine Co. so far from controlling its so-called British subsidiaries is completely controlled by them. Think of that for a moment, if you want to know how completely the International Mercantile Marine Co. is controlled by Great Britain. It must vote the stock it holds for British directors, and, moreover, for British directors satisfactory to the British Government. The British directors in turn absolutely control the management of their companies. They route the ships, they fix the rates, they man and officer the ships with British subjects, and hold the ships at all times subject to the orders of the British Navy. They must pay to the British Government annually many millions of dollars, probably hundreds of millions, for taxes and excess-profits taxes. These British directors control their own program for new construction and for the purchase of additional ships. In short, they are British companies in every sense of the word. The only function left under these contracts to the International Mercantile Marine is to receive on its stock holdings such dividends as may be declared for its benefit by a British board of directors which is satisfactory to the British Government, and they can not receive a farthing more.

Now, since, as Mr. Franklin says, a very big percentage of all the income of the International Mercantile Marine comes from the British companies, its subsidiaries, it is inevitable that he and his associates should play the British game, and swell the profits of the British companies in every possible way. That they must do this is made doubly certain from the fact that by these contracts they are at all times at the mercy of the British Government and shipowners. At any time their ships may be taken over, their contracts terminated, and their profits stopped by the British authorities. They are really pensioners upon British bounty, and their income—speaking now of the American Mercantile Marine and its stockholders—may be decreased or stopped, or increased according to British will. No man could devise a more perfect scheme to subject to British wishes and purposes every resource of the International Mercantile Marine, whether British or American, than is provided in their contracts.

Nor is this all. Through a system of interlocking directorates these British subsidiaries of the International Mercantile Marine Co. are absolutely dominated by a few masters of British shipping and finance, and are thus fitted into the whole scheme of British imperialism. Just two or three great, powerful, outstanding figures in British finance dominate this whole thing. This is graphically shown on the map or chart to which I invite your attention.

I now ask Senators, if they care to follow me, to give their attention to the chart while I submit as careful an analysis and description of the operation of the forces which it represents as it is possible for me to do.

THE BRITISH OPERATING COMPANIES OF THE I. M. M.

This chart is intended to show in its right half the nationality and interrelations of the International Mercantile Marine Co. and its subsidiary companies, and in its left half the relation, through Lord Pirrie and Sir John R. Ellerman, with the five great British shipping combinations and other important British industrial enterprises. Red blocks indicate British companies and individuals. All solid red lines indicate British directors. Broken red lines indicate stock ownership, and the arrow on those lines points from the owner of the stock and toward the concern in which the stock is owned. The figures on the broken red lines indicate the amount of stock ownership.

I will say to Senators that a reduced copy of this diagram will be printed in the CONGRESSIONAL RECORD in connection with

my remarks. I have the permission of the Joint Committee on Printing for that to be done.

The diagram is shown on page 4518 (facing page.)

Mr. LA FOLLETTE. The International Mercantile Marine Co., incorporated in New Jersey, and shown in the black-bordered outline in the right-hand upper central portion of the chart, (1) owns outright five freight and passenger steamers—*New York, Philadelphia, St. Paul, Finland, and Kroonland*—of 55,005 tons, plying between New York and the United Kingdom. Aside from these steamers, its holdings consist entirely of shareholdings in other countries; (2) it owns the entire capital stock, £700,000, of the International Navigation Co. (Ltd.), shown in the red-bordered diagram immediately below it, which owns four freight and passenger steamers of 66,652 tons plying between Philadelphia and Liverpool; (3) it owns 13,845,000 francs, being the entire capital stock of the Red Star Line, a Belgian corporation, with two steamers, of 17,428 tons, plying between New York and Antwerp; and (4) it owns \$5,000,000, being the entire capital stock of the Atlantic Transport Co. of West Virginia, shown on the extreme right, about the middle of the chart. The Atlantic Transport Co. owns four freight and passenger steamers and two freight steamers of a total tonnage of 80,642, plying between New York and London.

The International Navigation Co., in turn, owns the entire capital stock of the Atlantic Transport Co., the British & North Atlantic Steam Navigation Co., the Oceanic Steam Navigation Co., and practically the entire common stock of Frederick Leyland & Co., together with more than a third of its preferred stock.

The Atlantic Transport Co., shown near the right-hand corner of the chart, owns 1 freight and passenger steamer and 10 freight steamers, and carries on a passenger and cargo service between New York, Philadelphia, and Baltimore and London.

The British & North Atlantic Steam Navigation Co.—the Dominion Line—having three freight and passenger steamers and three freight steamers, carries on mail, passenger, and cargo service between Quebec, Montreal, and Portland, and Bristol and Liverpool. During the winter season its boats run to Portland.

The Oceanic Steam Navigation Co., the White Star Line, with a fleet of 19 freight and passenger vessels and 7 freight vessels, is the largest single company controlled by the International Mercantile Marine Co. Its services run from the principal Atlantic ports, including Boston, New York, Philadelphia, Portland, and Halifax, to Liverpool, London, Southampton, Cherbourg, and the Mediterranean, in addition to services from Liverpool to Australia and New Zealand.

Frederick Leyland & Co.—the Leyland Line—have 2 freight and passenger steamers and 26 freight steamers, a total tonnage of 171,177. They carry on a mail, passenger, cattle, and cargo service from Boston, New Orleans, Galveston, Savannah, Mobile, Brunswick, the West Indies, and the Spanish Main to Liverpool, London, and Manchester.

It will be noted that the International Mercantile Marine Co. owns all the stock of the International Navigation Co., and through that company the entire stock of the Atlantic Transport Co., the British & North Atlantic Steam Navigation Co., the Oceanic Steam Navigation Co., and the controlling interest in the Leyland Co.

The Oceanic Steam Navigation Co. owns £500 of the £195,375 preferred stock of Shaw, Savill & Albion, and £86,365 of the £195,375 ordinary stock. Another large block of stock is held by the Ellerman Lines, which, together with the Oceanic Steam Navigation Co., thus controls Shaw, Savill & Albion. The Oceanic Steam Navigation Co. and Shaw, Savill & Albion in turn jointly own £148,829 of the £150,000 preference stock of George Thompson & Co., all of the £50,000 ordinary stock, and all of the £50,000 management stock.

The Oceanic Steam Navigation Co. and the Atlantic Transport Co. of West Virginia jointly own 2,080,000 of the 20,000,000 guilders capital stock of the Holland-American Line. The Atlantic Transport Co. of West Virginia owns 32,971 shares of 200,000 shares of the New York Shipbuilding Corporation, and, together with the American International Corporation and W. R. Grace & Co., control that important shipbuilding concern.

In summary, out of a total of 113 vessels, of 1,077,728 gross tons of shipping controlled by the International Mercantile Marine Co., 5 vessels of 55,005 tons are controlled directly by the International Mercantile Marine Co. and 6 vessels of 86,642 tons by the Atlantic Transport Co. of West Virginia, making a total of 11 vessels of 135,647 tons under the American flag; 2 vessels of 17,428 tons under the Belgian flag; 99 vessels of

922,166 tons under the British flag; and 1 vessel of 2,487 tons of unknown flag.

Beneath the British and North Atlantic Steam Navigation Co. on the chart appears the Mississippi and Dominion Steamship Co. This company was included in the contract of 1903, but it has been liquidated and its assets have been taken over by the British and North Atlantic Steam Navigation Co.

Of the operating companies of the International Mercantile Marine Co., only the Atlantic Transport of West Virginia is an American company. The Red Star is organized under Belgian law and the International Navigation Co., the Atlantic Transport, the British and North Atlantic, the Oceanic Steam Navigation, Frederick Leyland & Co., Shaw, Savill & Albion, and George Thompson & Co. are wholly British. An examination of the routes and services given in connection with the different lines shows that practically all the important trade routes from the Atlantic coast to Great Britain are covered by these British subsidiaries of the International Mercantile Marine.

In addition to its own vessels, the International Mercantile Marine on January 1, 1921, was operating 27 Shipping Board vessels of a gross tonnage of 166,010 tons. Of these vessels 11 of 65,292 tons were allocated directly to the International Mercantile Marine, 6 vessels of 39,384 tons to the Atlantic Transport Co. of West Virginia, and 10 vessels of 61,334 tons to the Red Star Line. It is apparent that the International Mercantile Marine would seek cargoes for these vessels only in so far as there were surplus cargoes above what could be taken care of by its own ships, inasmuch as losses on the Shipping Board vessels are met by the Shipping Board itself.

The lines of stock ownership show holdings by J. P. Morgan & Co. and the American International Corporation in the International Mercantile Marine Co., and the lines of directorships indicate three members of the Morgan firm as directors of the International Mercantile Marine Co. and four members of the International Corporation. The block marked "Morgan, Grenfell & Co." in the upper right-hand corner, inclosed in red bars, and "J. P. Morgan & Co." in black, the dividing line between the two circles being one-half in black and one-half in red, indicates the International Banking House of Morgan, whose British company is Morgan, Grenfell & Co., and whose American company is J. P. Morgan & Co. The five lines running from Morgan, Grenfell & Co. to the Atlantic Transport Co., the Oceanic Steam Navigation Co., the International Navigation Co., George Thompson & Co., and Shaw, Savill & Albion represent E. C. Grenfell, one of the partners in the London Morgan firm, who is a director of the five companies named.

Mr. RANDELL. Has the Senator outlined the ownership of this International Mercantile Marine Co.? Has he named the persons who own the stock? Is it American capital or British capital?

Mr. LA FOLLETTE. It is American capital; but what the American capital can receive, as I have already stated, which the Senator will see if he will do me the honor of reading what I have said on that point, is entirely controlled by contract with the British Board of Trade.

Mr. RANDELL. Then, it is American money which is operating this company under the British flag?

Mr. LA FOLLETTE. That is all it means, and it is important to this British organization, as I shall show a little later on, because of the great power of Morgan in delivering freight through the railroads which he controls, transcontinental lines, directly and indirectly. I will show what that railroad control is. That is not only Morgan, but back of this International Mercantile Marine Co., as you will recall, as already stated, and as it will be set forth in detail, is the National City Bank, the Guaranty Trust Co., and the house of Morgan. When you combine those three great financial organizations behind any railroad scheme you have covered practically all the railroads of the country in the directorates which the various members of those banks control.

Mr. RANDELL. Can the Senator explain why it is that this vast sum of American capital continues to operate vessels under the British flag rather than under the flag of our own country?

Mr. LA FOLLETTE. Mr. President, it is quite apparent that there is a partnership here, a deal, between the masters of the shipping of Great Britain and the masters of the railroads and finance of this country, and that that combination is drawing on the purse of this Government to build up what we in our blindness call an American merchant marine, but an investigation will show that that is fostering further the control of the shipping and transportation in the financial powers of this country and Great Britain, in combination, and you can not have any distinctly American merchant marine in partner-

ship with the British merchant marine, through these interlocking combinations of great finance.

Mr. RANDELL. Does the Senator contend that this arrangement is continued because it enables the owners of that stock to make more money than if they put the ships under the American flag? Or is it because of some ancient combinations or arrangements which are still in existence; for instance, the 20-year arrangement the Senator spoke of, which has about two years to run?

Mr. LA FOLLETTE. Yes; that could be terminated by a notice by either of the parties.

Mr. RANDELL. I would like to have the Senator enlighten me—and I am intensely interested in his speech, I want him to know—as to why this great combination of American capital continues to operate under the British flag, instead of putting more of their vessels under our flag, or some of them under our flag.

Mr. LA FOLLETTE. It is quite apparent to me. I had hoped I had built up my argument so as to make it apparent to everybody. You have to recognize one thing to start with, that Great Britain has been master of the commerce of the world upon the seas for many years. I can see pretty plainly how, many years ago, it was easy to enlist the financial masters of our railroad transportation into an overseas combination with Great Britain, which would put money into the pockets of both of them more rapidly than the great financiers of this country could get returns upon their investments by building up some new shipping organization in this country to compete with Great Britain for this foreign trade.

In other words, you had a combination made here, going back nearly 20 years, which was discussed on this floor. I have been reading the old debates, which are very interesting. You had a combination made between the great railroads of this country and British overseas shipping, and the International Mercantile Marine Co. was a sort of medium, or link, through which this organization was built up.

I undertake to say that the great financial powers of this country consider first their financial interests, rather than any question of national advantage, in the building up of an American merchant marine.

I conceive that there can be but two objects in building up an American merchant marine. To the farmer in Wisconsin, or in Idaho, or in Oregon, or to the manufacturer in New England, what difference does it make who transports his products across the ocean in the carrying trade of the world? His financial interest is in having good rates and reasonably quick transportation.

Grant him a national interest as an American citizen. What is it? What is the second interest in having an American merchant marine? It is to build up an organization such that if we needed help in time of trouble with other nations we could call on them to man an auxiliary for our Navy.

The business man can have only those two ideas and those two motives for supporting an American merchant marine—one securing the best transportation facilities possible for his overseas commerce; the other, loyalty to his Government in time of need.

With regard to the first proposition, it can mean nothing to him to have his overseas products on their way to market transported by Mr. Morgan more than by Lord Pirrie, and it can be no advantage to him, surely, unless in building up an American merchant marine he can have some competition with Lord Pirrie or the British organization. So that that is a step we have been considering much in building up our American merchant marine.

There has been no suggestion anywhere, so far as I have heard, that we should exercise control of transportation charges. I prepared an address for delivery in the Senate a few years ago, when we had the first bill for the building up of shipping, along about 1914 or 1915. That bill was defeated by a filibuster, Senators will remember, and I never got an opportunity to deliver that speech. But I remember distinctly that my overhauling of all the testimony at that time showed that there were conventions, as they call them, or agreements, between all of the great shipping lines engaged in overseas traffic and all of the great shipping lines in our coastwise traffic and in our lake traffic by which they fixed absolutely what the American people must pay in the way of freight charges.

I just say this, that these financial interests in this country have gone into this thing years ago to make money; that they have not any regard and have never shown any regard in any field of that sort for national pride or national interest.

Mr. RANDELL. If the Senator will permit a suggestion right there, I can understand how originally these combinations were entered into, years ago, before the seamen's bill was

passed, for instance, in the passage of which the Senator had such an active part, because in those days it always appeared that British shipping had a very decided advantage in many respects over American shipping. There was a chance to make more money in the British shipping business than in the American shipping business.

But since the passage of that law and since so much of the British capital which was formerly invested in this country has gone back, they have not the control—at least, I do not think they have the control—over our financial institutions and over our railroads that they formerly had.

Mr. LA FOLLETTE. They had no control over our railroads. Their interest in our railroads was in the bonds, not in stock. They never bought stock in the railroads.

Mr. RANDELL. I understand that.

Mr. LA FOLLETTE. They bought bonds.

Mr. RANDELL. But they were very much interested; and I can not understand, for the life of me, now that the situation is so materially changed—

Mr. LA FOLLETTE. If the Senator will pardon me, the situation with respect to the mastery of the sea is not changed. Great Britain controls the great commerce of the world.

Mr. RANDELL. She certainly does.

Mr. LA FOLLETTE. Beyond any question. We have but a pittance of it. A partnership with that great organization offers opportunities to American capital. The fact is there is the evidence of it. It is indisputable.

Mr. RANDELL. I am trying to get through my head why, when American capital owns all that stock, they do not put it under the American flag. We have passed laws which certainly give our American shipping just as much protection as Great Britain gives to her shipping. There is just as much chance to make money under the American flag in the shipping business as there is under the British flag.

Here the Senator has shown there is over 1,000,000 tons of shipping owned by Americans and operated by Americans, but it is under the British flag. That is the part that is so difficult for me to understand. If the Senator can make it clearer to me, I wish he would do so.

Mr. LA FOLLETTE. The Senator is confused because he has not followed me. The International Mercantile Marine is absolutely controlled by these British subsidiaries, through the contracts made between the International Mercantile Marine and the British subsidiaries, in 1902, 1910, and 1919. The International Mercantile Marine Co. found it more profitable to employ its capital under these contracts in conjunction with Great Britain with her control of world commerce than to attempt to establish an American merchant marine, and they made these contracts accordingly and are still operating under them. I think that answers the Senator's question.

[At this point Mr. LA FOLLETTE yielded the floor for the day.]

Tuesday, August 2, 1921.

Mr. LA FOLLETTE. Mr. President, when I concluded last evening I was directing the attention of Senators to the left-hand portion of the chart which hangs on the wall of the Senate. I had not quite completed my explanation of the chart. I, therefore, begin at the point where I yielded the floor, and bring to the attention of Senators the control exercised by the great masters of shipping and transportation in Great Britain over the subsidiaries of the International Mercantile Marine Co. To Senators who may not have been in the Chamber during the time when I was speaking yesterday afternoon I will say briefly that there are certain existing contracts between the International Mercantile Marine Co. and this group [indicating on the chart] of British shipping companies which subordinate all the ships and all the interests controlled by the International Mercantile Marine Co. through the terms of those contracts to British interests. No one can understand the power which Great Britain may exercise in American shipping and in our efforts to build up an American merchant marine without studying the terms of those three contracts, one of them made in 1902 for a term of 20 years; another made in 1910, and the last one made in 1919.

By the terms of those contracts the International Mercantile Marine Co., although it owns controlling interests in many of these British shipping companies, is bound so to conduct its business as not to interfere with British commerce or with the interests of the British Government. It is tied hand and foot with British interests, and whenever any question is raised as to the interpretation of the terms of those three contracts by the terms of the contracts themselves any such question is to be settled and determined by the Lord High Chancellor of Great

Britain under British law both as to questions of fact and as to questions of law, and there is no appeal from his decision.

Mr. MOSES. Mr. President—

Mr. LA FOLLETTE. I yield to the Senator from New Hampshire.

Mr. MOSES. I wish to call the Senator's attention to the fact that in a speech on another phase of this same subject, which he delivered on the 25th of July, he inserted in the Record certain tables showing the earnings of shipping companies, and in Table 3, which appears on page 4243 of the Record, I find on their capital the percentage of income earned by the International Mercantile Marine Co. in 1920 to be 73.8 per cent. I assume that the Senator procured those figures from some official report of the company.

Mr. LA FOLLETTE. I did, Mr. President.

Mr. MOSES. I wish to ask the Senator in that connection if in making the investigations which gave him this result of 73.8 per cent profit he was able to separate the profits accruing to the various subsidiary and compository lines which make up the International Mercantile Marine Co. so as to show the percentage of profit earned by the ships which fly the American flag?

Mr. LA FOLLETTE. I did not make that computation.

Mr. MOSES. Would that be possible from the data which the Senator has?

Mr. LA FOLLETTE. I think that can be worked out from the data, because, taking the table as given there and the interests shown on the chart and the explanation of the chart which I have made and am making, I think it is possible to figure out the relative interest and the profits to which the Senator directs attention.

Mr. MOSES. I suggest to the Senator, Mr. President, that from a study of his chart it appears that the tonnage controlled directly by the International Mercantile Marine Co., namely, 55,000 tons, is not very different from the tonnage of certain of the other subsidiary companies which enter into that mass of lines, and if it should appear upon further investigation of the earnings that the earnings of 55,000 tons flying the American flag were grossly disproportionate to the earnings of the 66,000 tons, for example, owned by the International Navigation Co. or the 68,000 tons owned by the British North Atlantic Steam Navigation Co., it would greatly fortify the argument which the Senator is now setting forth.

Mr. LA FOLLETTE. Yes, Mr. President, I understand that, and I believe that it is possible to work out that detail of computation from the facts which I am submitting to the Senate; but, Mr. President, I do not want to be understood as being prepared here to state, on my feet, all of the facts, or a complete answer to the data which I am attempting in a very imperfect way to get before the Senate. The most I am hoping as a result—and I am hoping that, Mr. President—of the discussion which I am taking the time of the Senate to make is that we may have an investigation of this matter; that is all. That is all I am arguing for; and I am trying to get before the Senate of the United States facts enough to show that the vast expenditure of money being made through the appropriation voted here by the Senate is of such doubtful benefit to American shipping and of such certain benefit to British shipping, our great rival, that it behooves the Senate of the United States to go into this matter to the very taproot of the organization before another dollar of money is voted to the Shipping Board or is expended in this enterprise of attempting to build up an American merchant marine.

I will say again to Senators what I said yesterday, that they will find a transcript of this chart in the CONGRESSIONAL RECORD in connection with what I am trying to say in explanation of it. As soon as the matter that I am now delivering to the Senate is printed in the Record, which I trust will be in a day or so, they will find an opportunity to study this chart, but they will get no understanding of this matter excepting they interpret the chart by the contracts; and I have taken up each of these three contracts and analyzed them. I submitted that analysis to the Senate yesterday. The contracts themselves were printed in the CONGRESSIONAL RECORD by the Senator from Washington [Mr. JONES], the distinguished chairman of the Committee on Commerce. When he discovered that those contracts were in existence some months ago, he had them printed in the Record. I assume that no Senator has seen those contracts, or has taken the time to read them, in the drive of business to which we are all subject; but we can not afford to vote another dollar to this enterprise without going to the very bottom of this whole business and knowing whether we are expending money in the interest of Great Britain, our principal rival, or whether we are actually fostering an American merchant marine.

Mr. WATSON of Georgia. Mr. President—

The PRESIDING OFFICER (Mr. STANFIELD in the chair). Does the Senator from Wisconsin yield to the Senator from Georgia?

Mr. LA FOLLETTE. I do.

Mr. WATSON of Georgia. Yesterday I listened with deep interest while the Senator from Louisiana [Mr. RANDELL] was asking the Senator from Wisconsin why this shipping trust—for it virtually amounts to that—flies the British flag.

Mr. LA FOLLETTE. Instead of the American flag.

Mr. WATSON of Georgia. Instead of the American flag. Of course, it would occur to all of us that the navigation laws would have much to do with it; but I wondered at the time if it occurred to the Senator that the Morgan house established in London is as old as the Morgan house established in New York, and that it has perhaps as many interests under the British flag as it has under the American flag, and therefore it is a matter of utter indifference to the Morgan house which flag it uses.

Mr. LA FOLLETTE. That is the answer exactly; and this may be accepted as certain, I think: Although I was so much wearied after speaking two or three hours yesterday that I could hardly make a clear answer to the interrogatories of the Senator from Louisiana, I can understand, Mr. President, and I think Senators ought to be able to understand the answer to the question which the Senator from Louisiana asked, namely, Why does American capital invest its money in British shipping when it could just as well invest its money in the shipping of our own country under the American flag?

Mr. President, I submit to the Senate the fact that they do that thing; and if Morgan and the National City Bank, which is in this business, and the Guaranty Trust Co., of New York, three of the principal financial institutions of this country, do enter into these arrangements and do make those contracts, I think it is fair to assume that they find it to their interest to do so; and, while we may not here in the brief time of a short discussion of this matter be able to figure out just exactly what those interests are, it is fair to assume that those men who have built up their financial power in this country know what their interests are, and it is enough for us to know that they have their capital invested in these great British shipping lines, and that under the guise of calling this International Mercantile Marine a 100 per cent American company they make their arrangements with our Shipping Board and get the allocation of ships from our Shipping Board to this so-called 100 per cent American company and parcel out those ships in a way not to interfere with the upbuilding of the British lines in which they have their money invested and from which they get their profits.

Mr. ASHURST and Mr. REED addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Wisconsin yield; and if so, to whom?

Mr. LA FOLLETTE. I yield to the Senator from New Hampshire [Mr. MOSES], who first rose, if the other Senators will pardon me for a second.

Mr. MOSES. I wish to ask the Senator, with reference to his declaration a few minutes ago in connection with the appropriations which are to be asked of Congress, whether he differentiates between appropriations which may be asked for future operations of the Shipping Board and appropriations which are being asked to care for deficits that have already arisen? My understanding is that the great sums of which the Senator has spoken and which seem to all of us so enormous are the result of operations which have already taken place; that they are obligations of the Government under contracts the validity of which I assume is not questioned, although the wisdom of them may properly be, but obligations which the Government should meet. Does the Senator differentiate between the two classes of appropriations?

Mr. LA FOLLETTE. Mr. President, I think that is a matter that should be investigated before we appropriate a dollar upon that branch of the claims. I understand that there have been in the hands of one of the assistants of the Department of Justice data showing violation of law in a multitude of cases—I do not know how many—which are involved in the amounts that Congress will be asked to appropriate for in order to liquidate, and that no steps have been taken to prosecute upon those claims for some mysterious reason. I am going to bring them to the attention of the Senate more in detail a little later, not in connection with what I am saying to-day, but, sir, I do not believe in accepting the statement that any of these expenditures bind us to make appropriations until we make investigations with regard to them.

I think the time has come to put on the brakes. The time has come to halt this awful outflow from the Treasury of

the United States, which has to be met by taxation. In these days when we are borrowing money at five and a fraction per cent, whenever we are imposing tax burdens upon the people of this country, it is high time for those who are responsible under the Constitution for the appropriation and the expenditure of every dollar that this Government makes to look into, to scan with critical eye, the demands of executive officers and department officials.

Mr. President, Congress has condemned the contracts that are known as the cost-plus contracts, and yet we are to-day having expenditures made—now, this hour—by the Shipping Board under a system of contracts that Congress has repudiated. I do not want to hold to too strict accountability the men who have lately come into the control of the Shipping Board, but since they are surrounded by men who are going on with the same practices that were so reprehensible, admittedly so, before these new men came in, and since there is evidence, to which I shall call attention before I conclude, that they have called into their new organization some of the men who are potential in their connections and associations with British interests, I think it behooves Congress to scan with a good deal of care these requests for appropriations, and to arouse, if possible, upon this floor, by discussions and criticism, the interest of our new Shipping Board to look into all these affairs.

I am not ascribing, Mr. President—and I beg to be so understood—to the new Shipping Board any ulterior motives; but I am saying that they have taken steps, since they have had charge of this matter, which are directly in line with the actions of their predecessors, and I am willing to assume that what they are doing is a yielding to influences in the organization which they were obliged to take over.

Mr. MOSES. Mr. President, there is another form of contract in connection with the operation of these ships, with which I assume the Senator from Wisconsin is familiar—the form of contract known as the M. O. 4 contract.

Mr. LA FOLLETTE. That is the form to which I referred, which I say Congress has condemned and put the stamp of its disapproval upon. That is the cost-plus contract.

Mr. MOSES. It is even worse than that, Mr. President. It is a contract under which a ship is allocated to a shipping company, and every expense of operation is borne by the Government, and the operator gets 5 per cent of the gross receipts, regardless of whether the ship loses or makes money.

Mr. LA FOLLETTE. I know of no better way of describing it than "cost plus." I shall refer to it somewhat in detail, and I am going to call attention to it morning after morning here on this floor and to show how much we are losing by the day and by the hour and to show that we are still pursuing the making of contracts under what is known as the M. O. 4 form.

Mr. MOSES. I had understood that the M. O. 4 contract was no longer being made and that steps were being taken by the new members of the Shipping Board to abrogate contracts in that form which were already existent.

Mr. LA FOLLETTE. That is not my information, but the Senator may be better informed than I am. I am not setting myself up here as infallible by any means. I am just trying to bring to the attention of the Senate matters that I believe call for the most thoroughgoing and searching investigation that the Senate has ever made. You never have been confronted with such an expenditure of money. I do not believe even the railroads under the Esch-Cummins law bleed the Public Treasury more than does the organization known as the Shipping Board.

Mr. SMOOT. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. In just a moment. If I do not make it clear to-day, I hope I will be able to impress Senators with it hereafter, that the responsibility for every dollar of money that goes out to the Shipping Board henceforth lies with the Appropriations Committee, lies with the Committee on Commerce, then with the Senators here, perhaps, in the order in which named. But I say to you, sir, that there will come a time, if we do not heed the warning now, when every appropriation will be examined by the people.

Now I yield to the Senator from Utah.

Mr. SMOOT. I understand that that M. O. 4 contract has been abandoned, but if it has not been abandoned I think the Congress ought to take steps immediately, by a joint resolution, to make it unlawful for any department of the Government to continue contracts of that character. I thought we had had experience enough during the war with cost-plus contracts never to have them put in force again as long as we, who know what they resulted in, are Members of the Senate and House of Representatives.

Mr. JONES of Washington. Mr. President—

The PRESIDING OFFICER. Does the Senator yield to the Senator from Washington?

Mr. LA FOLLETTE. In just a moment. I think, Mr. President, an effort has been made on the part of the gentleman in charge, Commander Gatewood—

Mr. JONES of Washington. He is one of the subordinates.

Mr. LA FOLLETTE. I understand he is, but he is especially charged with the execution of contracts, and I understand that he is putting forth efforts to end this system, and has been since the disclosures made by the Walsh committee, some of which he himself made as late as January, only six months ago, which are just astounding.

If they read the testimony of Commander Gatewood, I think Senators would regard it almost as unbelievable that we have been doing the things we have been doing through this Shipping Board, and voting the money of the taxpayers of this country to meet the charges. I do not get this information directly from Commander Gatewood, though I hope to be able to have an opportunity to talk with him face to face about it, but I have been advised that he has made a few curtailments of the gross evils which were carried out under the M. O. 4 contract system. But I am also advised by what I believe to be competent authority that the evil of the M. O. 4 contract, aside from the few curtailments mentioned made by Commander Gatewood, is going on at this hour just as it has gone on heretofore.

Mr. JONES of Washington. Mr. President—

Mr. LA FOLLETTE. I yield to the Senator.

Mr. JONES of Washington. In connection with this particular matter which the Senator is discussing, I desire to say that Mr. Lasker, the chairman of the Shipping Board, appeared before the Appropriations Committee of the House a few days ago, and I had an opportunity to hear part of his testimony. I do not believe that the Senator from Wisconsin, with all of his ability, could denounce the M. O. 4 contract in any more vigorous terms than Mr. Lasker used to denounce it. I have not found all of his denunciation of it in the print of the testimony before me, but here is the first statement he made with reference to it. After referring to the operations, and so forth, when ships were making a great deal of money, he said:

The Shipping Board devised a plan of leasing the boats known in the Shipping Board and throughout the shipping world in America as the M. O. 4 contract.

Now, I do not know. Maybe if I had been on the board at that time, or if any of you gentlemen had been on the board at that time, you would have voted for that contract in the light of things as they were then. Maybe you would not have voted for it; maybe I would not have voted for it. Without comment, because I am not expert enough on whether at that time that contract should have been voted for or not, it has turned out to have been as vicious and incompetent a basis of doing business as the human mind could devise, and it was all that was needed to make this sick business infinitely sicker.

I remember in another place or two he denounced it in even more vigorous language than that, if possible; but I have not the time to find the testimony now. Then the committee asked him what he was doing to end it. He said that only about a week ago had he been able to get the men he desired to take charge of the operations of the ships, and that just as soon as they can possibly devise another method to operate the ships, it will be done.

My recollection is that he stated that this was such an enormous business that, even though these ships were being operated under such a vicious contract, to just uproot it and overturn it all at once, without anything to take its place, would be worse even than to operate under this contract which he denounced so vigorously. But he assured the committee that just as soon as they could possibly devise a proper contract they proposed to do it and to get rid of this contract, which, as I have said, he denounced even more vigorously at other places than in the language I have just quoted.

Mr. LA FOLLETTE. I am very glad, Mr. President, to have had interpolated into this debate at this point this statement from the chairman of the Shipping Board. I certainly do not wish to be understood as bringing the members of the present Shipping Board under any strictures of criticism that shall question their loyalty to the public; but I conceive that I am rendering some small service in bringing to their attention and to the public attention evils which possibly the members of the Shipping Board may not have had the time to uncover, and the disclosure of which may result in greater expedition upon their part.

But, Mr. President, I shall have spoken to no satisfaction to myself if I do not impress the Shipping Board and the country with the fact that the British control and the British enjoyment

of all of our appropriations here, outside of those which common grafters in this country get the benefit of, are being insured and continued by policies adopted by the new Shipping Board; that they have called into managerial control members of the International Mercantile Marine Co., which is as British in its interests as anything which can possibly be conceived of, and that, as I shall show before I conclude, they have been put in charge of the operation and direction of the ships of the United States Shipping Board, which we are building at such enormous expenditure under this "M. O. 4" and other reprehensible systems of contracts.

Mr. STANLEY. Right at that point, though I do not wish to interrupt the Senator, as I am very much interested in the proposition, and attempted to follow the Senator as closely as I could yesterday in his very elaborate argument, may I ask this question? It appeared that the International Mercantile Marine is a holding company. Is that correct?

Mr. LA FOLLETTE. It is an owning company.

Mr. STANLEY. It holds stock?

Mr. LA FOLLETTE. It holds and owns the stock or portions of the stock, and is affiliated by interlocking directorates and by stockholdings with the companies I have named.

Mr. STANLEY. Millions of the stock?

Mr. LA FOLLETTE. Yes. I do not think the position of the International Mercantile Marine would be so glaringly bad for our interests, although I do not think we ought to permit any connection in any way with our rivals, our greatest rival on the seas, if we are going to try to build up an American merchant marine, but we must not lose sight for a minute, regardless of stockholdings and the position of this company with respect to directors and all that, of the contracts that have been entered into, because the contracts bind the International Mercantile Marine to the interests, first, of the British Government, and, second, to British commerce and British trade, and any issue that may be raised between the makers of the contracts the whole business has to be settled by the lord high chancellor of Great Britain.

Mr. STANLEY. What puzzles me is the fact that if it is a holding company and has control of this vast array of English shipping, it could just as well have used its tremendous powers to have fostered the American merchant marine, being an American company, as to have thwarted and throttled it.

Mr. LA FOLLETTE. That is exactly the same question that was suggested last evening by the Senator from Louisiana [Mr. RANSDELL].

Mr. STANLEY. I am not suggesting that.

Mr. LA FOLLETTE. My answer to that is this: I lay before you the contracts. They have done this thing.

Mr. STANLEY. Admittedly.

Mr. LA FOLLETTE. They are not fools. They are the wisest business men we have in this country. They must find it profitable to make this close alliance with British commerce in their own interests. I go a step further and I say that it comports with all they have been doing in this country with respect to the upbuilding of great trusts and combinations for their own advantage, in defiance of the interests of this country and in defiance of the statutes upon the statute books of the United States. I say that it comports with their whole history that wherever their interests lead them, without regard to loyalty to American institutions and the American flag, there they go.

Mr. STANLEY. As I started to add, it appears from what the Senator has said that while the citizenship of the incorporators of the International Mercantile Marine may be American their interests are English and their alliances are British. Is that correct?

Mr. LA FOLLETTE. Certainly.

Mr. STANLEY. Then the Shipping Board could hardly have entered into the allocating of ships with a strictly British concern or with these subsidiary corporations without causing criticism. Is it the Senator's idea or does it appear probable from his investigation that the International Mercantile Marine is sort of an American dummy?

Mr. LA FOLLETTE. I think it is an American dummy so far as American interests are concerned. I think it is a mighty active institution so far as profits are concerned. I think that it is hostile. I think it betrays the interests of this country. I think that it defies the purpose of the American Congress in making the appropriations. I think that they are snickering in their sleeves at the gullibility of Senators who will vote vast sums to the upbuilding of a so-called American merchant marine which in the end simply puts money into their pockets.

Mr. STANLEY. May I ask another question right at that point?

Mr. LA FOLLETTE. Certainly.

Mr. STANLEY. Has the Senator looked into the matter which I am about to suggest? I do not see how it is possible for a majority of the stockholders of this concern to be American citizens if they are the holders—and I assume they are—of the stock of all these subsidiary concerns.

Mr. LA FOLLETTE. Why not? I have stated exactly what their holding is as shown by their report.

Mr. STANLEY. That the majority of stock of the International Mercantile Marine is held by American citizens?

Mr. LA FOLLETTE. I am ready to assume that it is.

Mr. STANLEY. I should think, from what the Senator has said, that it must be an American directorate with English stockholders; otherwise we would have Americans holding the stock of these large subsidiary concerns through this parent company.

Mr. LA FOLLETTE. I think as I go forward in my argument and as I get into the Record and before the Senate the statement of Lord Pirrie, made at the time this arrangement was entered into, the Senator will find some explanation for that which I have not perhaps put into the Record already.

Mr. STANLEY. I merely wish to get the matter clear in my own mind.

Mr. LA FOLLETTE. I am not undertaking, Mr. President, to answer as to the motives of anybody connected with this organization, but I am undertaking to place before the Senate facts with respect to it; that is, the facts in so far as I have been able to discover them, which, I think, call for the sort of an investigation that I have provided for in the resolution which is now before the Senate and to which I am addressing myself in this time which the Senate has assigned to another bill.

I should like to make a résumé of what I said yesterday with respect to this chart, but I am not going to tax the patience of Senators to do that. I have described the holdings and connections upon the left half of the chart, and I have reached the point of stating the power and the authority that Lord Pirrie exercises in this combination, and when I shall have delineated that as best I may I am going to give reasons which he submitted away back in 1902 to the stockholders of all these British companies as to why they might put into the hands of the International Merchant Marine all their stock, always under the agreement that they have. It is very interesting. It was stated on the floor of the Senate, and his language was quoted in 1902. So I begin where I left off on yesterday in the notes that I have made.

THE INTERNATIONAL MERCANTILE MARINE AND THE BRITISH SHIPPING COMBINATIONS.

Turning to the left half of the chart, it will be noted that Lord Pirrie is a director of the Atlantic Transportation Co., the British North American Co., the Oceanic Steam Navigation Co., and the Frederick Leyland Co. He is thus one of the handful of men under the peculiar provisions of the contract, which must never be lost sight of, of the International Mercantile Marine able absolutely to direct the affairs of these subsidiaries, practically no rights whatever being reserved to the parent company, the International Mercantile Marine Co., except the right to reap the profits. Mark you that. While they have these great holdings, they entered into contracts that gave them no power over the control of these companies and no rights except to accept profits. They must have been assured of such profits to have been willing to put their money in on a contract of that size, because the contracts are here in the CONGRESSIONAL RECORD. I cited them. I quoted them.

Mr. STANLEY. In that case they can not vote the stock they hold?

Mr. LA FOLLETTE. I think their voting capacity is utterly manacled and restricted.

Mr. STANLEY. That would explain it.

Mr. LA FOLLETTE. In order to show the relations of the International Mercantile Marine with the great British shipping companies, the holdings and directorships of Lord Pirrie and Sir John Ellerman are indicated on the chart. The five blocks at the top of the chart give the names and tonnage of the five great combinations which make them control the bulk of British tonnage engaged in liner traffic. The tonnage figures are taken from the Shipping Board report of 1919, and their accuracy in all respects can not be vouched for, but they are stated on the chart, which will be found in the CONGRESSIONAL RECORD in connection with my remarks.

Lord Pirrie, it will be noted, is a director of the African Steamship Co., the Elder Dempster Co., the Moss Co., the Laporte & Holt Co., and the Union Castle Steamship Co., being five immediate subsidiaries of the Royal Mail Steam Packet Co., doing business largely with Africa and South America. The Royal Mail, however, has just inaugurated a fortnightly serv-

ice between New York and Great Britain and a service from New York to Pacific ports.

According to a report submitted by Mr. Bevin and printed in volume 2 of the report inquiring into the wages of transport workers, published by the British Government in 1920, Lord Pirrie held, individually or jointly, 402,276 shares of the Cunard Steamship Co. As active director of the four great subsidiaries of the International Mercantile Marine, he may therefore reasonably be supposed to exercise influence to bring their policy and that of the two great British combinations in harmony.

Lord Pirrie is also vice president of the great shipbuilding firm of Harland & Wolff and of the coal, iron, and shipbuilding firm of John Brown & Co. He is a director of the London & Southwestern Railway Co., the London City and Midland Bank, and the British Union Oil Co.

It may be, Mr. President, that as this thing unfolds itself and Senators see into what a large field of profitable shipping the International Mercantile Marine Co. was permitted to enter by making these financial arrangements and these contract arrangements regardless of the interest of American shipping, Senators may find their answer to the question as to why they entered into these agreements. Dollars! That is all. That is the answer. No consideration of the interests of this country of ours. No future for an American merchant marine. Dollars! There was a time when these great financiers were content to violate the statutes of this country against the formation of trusts and combinations and go ahead and build up their control of trade and of the markets of this country. They have grown bolder since that time and they are more daring now. They ask Congress to contribute through its taxing power to building up these organizations in their interest, and we, fools that we are, vote the money of the people of the United States to pay for our own undoing.

No less interesting are the connections of Sir John R. Ellerman. The Ellerman lines, together with the White Star, hold the controlling interest in Shaw, Savill & Albion, and Sir John Ellerman is a director in that company. That is shown by the unbroken red line [indicating] which includes it. He also holds a block of the outstanding stock in the Leyland Line, of which he was at one time chief owner and which he disposed of when the International Mercantile Marine was formed. He has 5,285 £10 shares. Sir John Ellerman is head of the Ellerman Lines, and they constitute one of the five great British shipping combinations controlling the bulk of English shipping. He owns 4,000 shares in the Royal Mail Steam Packet Co., 92,000 shares in the Cunard Steamship Co., 150,000 shares in the Peninsular & Oriental Steamship Co., and £9,400 in the Holder Line, a Furness Withy interest, as shown here on the chart. [Indicating.]

I shall show Senators presently our present Shipping Board, through one of its officials, lately put into a very important position in directing operations there a man of long service in that company. I am not saying that they did so consciously to betray our interests, but the fact is when they are looking about for men of splendid equipment to take charge of matters in connection with the American merchant marine, when all the shipping of the world, speaking not too definitely, has been in the hands of Great Britain, if they do not know what is under the cover here and have not had their attention called to it, they are liable to make some contracts with these very British representatives and put them in positions where those representatives will be able to trip us up and break our necks in the great big object which we are seeking to execute.

I am rather hoping that, by getting the Senators and the country interested, if I can, in this subject, and getting an investigation started here, we shall make more progress in reorganizing upon a right basis. We had better take men who have not had the experience but who are sound at heart, just as I think we had better take men of moderate ability in official positions, as Members of the Senate, than to take the ablest men in the country who are committed to and affiliated with interests that are hostile to the public interest. So with the Shipping Board, we want men who are 100 per cent right; who are imbued with no other idea than to bring about this great desideratum, the building up of an American merchant marine that shall be useful to the American public, not only in the hour of trouble but in all hours, so far as the commerce of this country and transporting the products of this country are concerned. They can not be in the service of the American public unless they are at heart thoroughly American; they can not be in the service of the American public if they are bound up in any way with British interests or if they enter into any agreement that destroys competition.

The primary object of our building up, so far as commercial enterprises are concerned, an American merchant marine is to

get our hauling done for our overseas service at reasonable rates. We can not get that service at reasonable rates unless there may be competition between the American merchant marine and the other ocean overseas carriers. If we can not get it by the open and free play of the laws of competition, then the next step will be to try to get it by regulation of ocean-going freight rates. In that we shall probably fare no better than every State in the Union and the National Government have fared in trying to regulate interstate commerce rates on the railroads. We shall find that our State commissions and our Federal commissions will fall under the influence of the carriers. Then, we shall be thrown back to the only other thing that there is, and that is Government operation or Government ownership.

I know there has been built up in this country in the last three or four years a tremendous sentiment against that, because conditions have favored the making of sentiment against it. We shall fight that out later. However, step by step and year by year, the American people are being pressed back or led forward inevitably by the development of circumstances to that as the final solution.

Mr. President, I try to hold myself in restraint in making criticisms upon the new Shipping Board, and I think we have all got to realize that they have a tremendously big problem on their hands and we have got to be reasonably patient in giving them time to work it out. They have been in office about two months. When it comes to a matter of making particular rates I think that is probably or comparatively of so little importance that it might easily miss their attention. It is in the big things, it is in the management and the allocation of our ships, it is in the directing of the operation of those ships that I think they ought to get a right understanding of the relation of the American merchant marine, if we are ever to have one, to the interest of our great rival, Great Britain.

Now, I must hasten, Mr. President, because I feel that in a way I am trespassing upon the rights of those who desire to speak on the bill that is immediately before the Senate. I wish to say in justification, however, that I made the best canvass that I could of the Senators on both sides to ascertain whether any Senator was ready to take the floor this morning, and expressed myself, as I truly was, desirous of standing aside and allowing the debate to proceed upon the bill immediately before the Senate rather than upon the resolution which I ultimately hope to bring to a vote before the Senate; but I found no one who was not entirely willing that I should go ahead. I did say that I hoped to get through in an hour. I am not going to be able to do that unless I make greater speed. So I will hurry along as best I may. I want to get before the Senate this other [indicating] big center of British control represented by Sir John Ellerman, conclude what I have to say about the chart, and then make my deductions and yield the floor.

I think I have shown that Sir John Ellerman owns 4,000 shares of the Royal Mail Steam Packet Co. stock; 92,000 shares of the Cunard Steamship Co.; 150,000 shares of the Peninsular & Oriental Steamship Co.; and £9,400 in the Holder Line, a Furness Withy Co. interest. He is thus interested in every one of the big companies that control the great bulk of British shipping. Other of his important interests are indicated by the figures on the left of the chart. He has important stock holdings in two investment companies and is a director of four other such companies. He is a large stockholder in the International Tea Co. and four brewery companies. He is a stockholder in newspapers that have a wide and influential control of British thought, including the Sphere and Tatler and the Daily Mail.

Through Lord Pirrie and Sir John R. Ellerman, therefore, the International Mercantile Marine is tied not only with all the big British shipping combinations but with the most important British shipbuilding concerns, and with British banks, investment companies, with British railways, and other British enterprises.

To briefly sum up, it is apparent that the International Mercantile Marine draws its profits from the earnings of 99 British vessels of 922,166 dead-weight tonnage, as against 11 American vessels of 135,647 tons.

So far as I am aware, there is no report available showing separately the earnings of the British companies. They are not required to report to any department or authority in this country. They are not required to pay any taxes to our Government, but do pay many millions of dollars every year to the British Government out of the profits made in transporting our products. But by far the larger part of the income of the International Mercantile Marine is represented by the dividends which the British boards of directors permit under the contracts to be

declared by these companies upon their stock. It is fair to assume, other things being equal, that this, the larger and more profitable part of the business of the International Mercantile Marine, will be built up and extended wherever possible. These British vessels, the stock of which is held largely by the International Mercantile Marine, come into direct competition with the American vessels of the International Mercantile Marine, as well as with those of its two American subsidiaries. Which class of vessels in this situation will be favored in this struggle for business? Where lies the greater profit for the International Mercantile Marine? Suppose that Lord Pirrie, who dominates the Atlantic Transport Co., as he does the other British subsidiaries, decides that his company must have some of the business done by the Atlantic Transport Co. of West Virginia. He decides to cut rates to put additional ships on the routes of the Atlantic Transport of West Virginia, and by other means seeks to drive this competitor from the field. Then, suppose that the International Mercantile Marine was in earnest about protecting American shipping interests, and through its stockholdings in the International Navigation Co. was successful in getting that British company, through its stockholdings in the Atlantic Transport Co., to interfere with Lord Pirrie's game, and to assist the American company in resisting the attack upon its business thus made by British interests. Now the contracts come into play. Immediately it would be claimed that a policy injurious to the British mercantile marine or "to British trade," to use the language of the contracts, was being pursued and the contract between the International Mercantile Marine was therefore being violated. And why is it for the interest of the International Mercantile Marine to submit, and not to call the contract at an end, as they can, by giving a certain notice? It is for their interest because they have more interest in the tail than they have in the dog itself. The tail is the big end of the business. It wags the dog.

If there were any doubt about it, or if any question arose as to the rights of these companies under this contract, remember that the contract must be interpreted according to the English law, and that it must be left to the lord high chancellor of Great Britain to decide not only the meaning of the contract but every question of law or fact that may arise under it.

Mr. WATSON of Georgia. Mr. President—

Mr. LA FOLLETTE. I yield.

Mr. WATSON of Georgia. I am very much interested to learn from the Senator, if he can give us the information, whether or not the independent steamship lines have been entirely eliminated. For instance, there used to be a great many of what they called tramp steamers that were apparently going from port to port at their own pleasure, picking up cargoes, buying, and selling, and not controlled by any trust. Have they been closed out?

Mr. LA FOLLETTE. Mr. President, I do not think that they have entirely. I think they are still in existence. I do think that under the Machiavellian management of men who have been put in office by the present Shipping Board, one or more of whom were potential with the previous Shipping Board, in the interest of foreign shipping, action has been taken to throttle independently owned American vessels. Senators, I am going to bring to your attention in a little while the proceedings started to dispossess the United States Mail Steamship Co. of certain vessels. Your attention must have been called to it in the press reports—an action started by the Shipping Board—and when I reach that point it will help to make an answer, I think, to the Senator's question.

I say that any differences that arise as to the interpretation of contracts are not to be settled in American courts. Perhaps before the debate upon this resolution is concluded you will hear the changes rung on the fact that we have a "100 per cent American company" here, and that upon that you ought to rely. My answer to that is that you have an arrangement here with the shipping interests that represent the major part of Great Britain's commerce to let the International Mercantile Marine for profits into that business, and for those profits they surrender their loyalty to the upbuilding of an American merchant marine.

I say that if there were any doubt about a question of competition between the Atlantic Transport Co. of West Virginia, for instance, and the desire of Lord Pirrie to cut away from it its tonnage, or if any question arose as to the rights of the British companies under this contract, remember that the contract must be interpreted according to English law and that it must be left to the lord high chancellor of Great Britain to decide not only the meaning of the contract but every question of law or fact that may arise under it. Always there hangs over the International Mercantile Marine the possibility that the

contract may be terminated at any time by the British Government for any cause that the lord high chancellor of Great Britain may assign. It is, moreover, ever faced with the possibility that the profits of its subsidiaries may be decreased or entirely absorbed by construction and other expenses authorized by the British board of directors. The result is that it would be folly for the International Mercantile Marine to protest against or attempt to retaliate any use made of the British ships to the detriment of American shipping, even if it had the desire—which it never would have, because its profits would not lead it in that direction—or the power to do so.

In this situation it is ludicrous to expect the American ships to compete with the British ships. If by any possibility the American ships could by competitive methods obtain any portion of the business theretofore done by the British ships, this would forthwith be declared by the lord high chancellor of England to be a policy "injurious to the interest of the British mercantile marine or of British trade," and an end put to it at once.

MAKING THE I. M. M. 100 PER CENT AMERICAN.

Look for a moment at the board of directors of the International Mercantile Marine Co.

According to the 1917 report of the International Mercantile Marine Co., which is the last report I was able to get from the Congressional Library, the directors of that company were as follows:

Directors.

Harold A. Sanderson, chairman	Lord Pirrie (British).
(British).	John W. Platten.
Otto T. Bannard.	Albert Rathbone.
Harry Bronner.	Charles H. Sabin.
George W. Davison.	Frederic W. Scott.
P. A. S. Franklin.	Charles Steele.
Donald G. Geddes.	Charles A. Stone.
Edward C. Grenfell (British).	Frank A. Vanderlip.
J. P. Morgan.	

According to the Shipping Board report of 1919, the directors were the same at that time, except that John W. Perry was substituted for Albert Rathbone. I understand that since the recent criticism of this company—I refer to the attacks made by the Senator from Washington [Mr. Jones] upon the British arrangement—the English directors have retired from the board but keep their places of real power on the subsidiaries.

The Shipping Board report does not give the finance committee or the British committee, but, according to the report of the International Mercantile Marine Co., from which I have quoted, the finance and the British committees, with the officers, were as follows:

Finance committee.

P. A. S. Franklin, chairman.	Harold A. Sanderson, ex officio.
J. P. Morgan.	Edward C. Grenfell, ex officio.
Charles Steele.	John W. Platten.
Charles A. Stone.	Harry Bronner.
Frederic W. Scott.	Frank A. Vanderlip.

British committee.

Edward C. Grenfell, chairman.	P. A. S. Franklin, ex officio.
Lord Pirrie.	Harold A. Sanderson.

Officers.

PRESIDENT.

P. A. S. Franklin.

VICE PRESIDENTS.

Edward C. Grenfell.	Frederick Toppin.
John H. Thomas.	

TREASURER.

Horace G. Phillips.

SECRETARY.

Emerson E. Parvin.

COMPTROLLER.

Monroe W. Tingley.

ASSISTANT TO THE PRESIDENT.

John J. McGlone.

ASSISTANT TREASURERS.

E. Edgar Heston.	Alfred P. Palmer.
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ASSISTANT SECRETARIES.

John J. McGlone.	Charles R. Jeeves.
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TRANSFER AGENTS.

J. P. Morgan & Co., 23 Wall Street, New York.

Of the three English directors, Lord Pirrie, Harold A. Sanderson, and Edward C. Grenfell, I have spoken briefly and of some of the connections of Lord Pirrie, though I have not by any means exhausted them.

Harold A. Sanderson was the second president of the International Mercantile Marine Co. He is a British subject, and a director of the Liverpool & London Steamship Protective Association, as well as of the subsidiaries of the International Mercantile Marine and various other British companies. Edward C. Grenfell is the partner of J. P. Morgan, and a British subject, and up at least to 1919 was vice president of the Inter-

national Mercantile Marine, and while I believe, owing to criticism, has recently retired from that position, he remains, like his English associates, a director of the International Navigation Co., the Atlantic Transport Co., the Oceanic Steam Navigation Co., George Thompson & Co., Shaw, Savill & Albion.

It is significant to note, Senators, in this connection that through Savill and Torrey, directors of these subsidiary companies, they are brought into the "Shipping Federation (Ltd.)," and Senators will notice that I am using the title of a new corporation now. They are brought into the "Shipping Federation (Ltd.)." I hope at another time to make the Senate and the country acquainted with the "Shipping Federation (Ltd.)," organized in London, with powers to influence legislation in the Capital of this Nation and in every other country of any shipping pretensions, having unlimited power to expend the money to attain its objects. It is a most interesting organization for men devoted to the interests of this country to study. You may see before long in legislation presented to the Senate the influence of this great power, with its home office in Great Britain, moving in the direction of the purposes for which it is chartered to control legislation here, if in any way we are legislating for our own interests and those interests conflict with British interests.

INTERLOCKING DIRECTORATES OF THE INTERNATIONAL MERCANTILE MARINE AND AMERICAN RAILROADS.

Turn to the American members on the board of the International Mercantile Marine Corporation and note for a moment the significance of their railroad connections.

The J. P. Morgan interests, which have always been dominant in the affairs of the International Mercantile Marine and are now represented on the board by J. P. Morgan and Charles Steele, hold directorates in the following railroads. I give only those in which Mr. Morgan is a director.

You will see the significance of these railroad connections and how Morgan's railroad connections induced Lord Pirrie to enter into this scheme back in 1902, for I will quote to you the language of Lord Pirrie, used on the floor of the Senate 19 years ago in debates here, when information as to this organization came before the Senate. Here are Mr. Morgan's connections with railroads. He is on the board of directors of the Central Railroad of New Jersey; Lehigh Valley; Lehigh & Hudson; Erie; Northern Pacific; Atchison, Topeka & Santa Fe Railway; Southern; Chicago Great Northern; New York, Susquehanna & Western; Pere Marquette; Philadelphia & Reading, 11 in all.

The Guaranty Trust, represented on the directorate of the International Mercantile Marine by Charles H. Sabin, president of that company, holds directorates in the following roads:

Michigan Central; Pittsburgh & Lake Erie; Lake Erie & Western; Toledo & Ohio Central; Kanawha & Michigan Railway; Cincinnati & Northern; Monongahela Railway; Rutland Railroad; New York Central; Wabash; Southern Pacific; Illinois Central; Texas & Pacific; St. Louis Southwestern; Missouri Pacific; New York, Susquehanna & Western; Gulf, Colorado & Santa Fe; Santa Fe, Prescott & Phoenix; Toledo, St. Louis & Western; Atchison, Topeka & Santa Fe; Erie; St. Louis & San Francisco; Seaboard Air Line; Union Pacific; St. Joseph & Grand Island; Oregon-Washington Railroad & Navigation Co.; Baltimore & Ohio; Illinois Central; Alabama Great Southern; Nevada Northern; Copper River & Northwestern; Chicago Great Western; Pennsylvania; Long Island; New York, New Haven & Hartford; New York, Ontario & Western; Pittsburgh, Cincinnati, Chicago & St. Louis; New York, Westchester & Boston; Western Maryland; Delaware & Hudson; Illinois Central; Yazoo & Mississippi Valley; Central of Georgia, 43 in all.

Mr. F. A. Vanderlip, until recently president of the National City Bank, is on the board of the International Mercantile Marine, and Mr. Franklin, the president of the International Mercantile Marine, is on the board of the National City Bank. Directors of the National City Bank are to be found on the boards of the following roads:

El Paso & Southwestern; Southern; Chicago, Indiana & St. Louis; Mobile & Ohio; Chicago, Milwaukee & St. Paul; Oregon Short Line; Oregon-Washington Railroad & Navigation Co.; Rutland; New York Central; Union Pacific; Delaware, Lackawanna & Western; Michigan Central; Cleveland, Cincinnati, Chicago & St. Louis; Pittsburgh & Lake Erie; Lake Erie & Western; St. Joseph & Grand Island; Chicago & Alton; Yazoo & Mississippi Valley; Illinois Central; Central of Georgia; Los Angeles & Salt Lake; Galveston, Harrisburg & San Antonio; Houston & Texas Central; Morgan's Louisiana & Texas R. R.; Texas & New Orleans; Arizona Eastern; Southern Pacific; Louisiana Western; Houston East & West Texas Co.; Chicago & North Western; Cincinnati, New Orleans & Texas Pacific, 31 in all.

The roads that bring the products of the country to the coast for shipment, of course, largely control those shipments overseas. Here you see how skillfully the masters of transportation by land and water of Great Britain and the United States are combined in interest and associated together to control our maritime commerce in the interest of British shipping corporations and the British Government, so that a few financiers may be enabled to reap the profits of the business. And the profits of the business, mind you, arise from transporting our goods

abroad, and arise almost solely from transporting our goods abroad.

When the project of selling the stock of these British companies to Americans was broached by the elder Morgan to Lord Ellerman some years ago, the latter, who was the president of the Leyland Co., addressed his stockholders and advised them to make the sale. He said:

But we must look at this matter all around, and I am bound to tell you that there are two factors in regard to the shipping trade which, while on the one hand it would be quite possible to exaggerate their importance and take too serious a view of their importance, it would, on the other hand, be exceedingly foolish to ignore and not give due consideration to. You may accept that offer or you may decline it, as seems best to you in your wisdom, but of one thing be sure, American capital is coming into the Atlantic trade, and is coming into the Atlantic trade to stay. The Atlantic trade is a peculiar trade in this respect, that it is almost entirely an eastbound trade. Your vessels going out to the United States take practically nothing. They do not pay their way, or anything like it. The profit is wholly made upon the return cargo.

Now, an eastbound trade means the carriage of produce from the United States to Great Britain and the Continent. Well, the relations of Messrs. Morgan to the great railway systems of the United States are known to everybody, and you can judge for yourselves, without my enlarging upon the matter, whether Messrs. Morgan and their friends coming into the Atlantic trade would or would not come into that trade under very favorable conditions so far as they were concerned and very unfavorable conditions as far as many of their competitors were concerned. (See CONGRESSIONAL RECORD, Mar. 15, 1902, p. 2847.)

Why, how simple it all was. If you would study the great lines of railroad that traverse your country, and see how they center in New York, and then study the directorates of those railroads and the directorates of the great financial institutions of New York, you would see how completely it is possible for the masters of those transportation systems to deliver the products of this country to any shipping concerns in which they are interested, so far as overseas trade is concerned. Lord Pirrie saw that. His long experience in the transportation service, his mastery of the large portion of it which Great Britain dominates made him at once open-minded to this proposition of an alliance with these American financiers who control the railroads of this country, whose affiliations with British shipping interests would be of tremendous mutual benefit and profit if any proper arrangement could be effected. So this arrangement was effected and these contracts were entered into.

But the British Government, ever with an eye single to British interests, saw to it that those affiliations were dominated by contract provisions that would protect British interests ever. Ever in the forefront of British international relations sits the great purpose of protecting British interests and British commerce, which is the basis of British wealth. So these contracts were made.

Mr. Ellerman saw that American capital coming into this business, owning or controlling the terminal facilities here and the railroads which carry the products to the ships, could build and operate their own ships to the exclusion of British competitors. Then, apparently, was devised the scheme I have but imperfectly outlined to you, whereby a few rulers of railroads and financial magnates combined to ship our goods in British ships under the British flag for the upbuilding of the British merchant marine and the destruction of our own for the dollars they could get out of it.

I have said a number of times that I would bring to the attention of Senators the recent appointments made by the present Shipping Board, which I think, Mr. President, call for some comment, and I believe that here is perhaps the best place to introduce that information.

Of course, I take it that Senators know that when the Shipping Control Committee was established in 1918, English domination was very pronounced. Indeed all of the earlier operations were largely under British control. When the Shipping Control Committee was established in 1918 Sir Guthrie was made a member of it, representing British interests. The other two members were P. A. S. Franklin, president of the International Mercantile Marine, the associations and business connections of which I have spent much time upon, and H. H. Raymond, president of the Clyde Line and now president of the American Steamship Owners' Association, an intimate of Franklin.

W. J. Love, American manager for Francis Withy & Co., shown in the upper left-hand corner of the chart which hangs upon the wall, with its British connections, served as a director at that time of trades and allocations. I ask Senators to keep that name in mind.

The chartering committee of the Shipping Board at the same time consisted of three members, the first of whom was J. Barstow Smull. He is now at the head of the division of operations. He was in an important position under the old Shipping Board. He is in a very important position under the

present Shipping Board as the director of the division of operations.

The other members were A. J. Fetterlock, vice president of the International Mercantile Marine, and Welding Ring, of the United States and Australian Steamship Co., which I believe operated only British lines, although I am not absolutely certain that there may not have been some other lines within their control.

The manner in which this indirect British control continues at the present time is suggested by the personnel of the three new directors of operations in the present Shipping Board—Smull, Love, and Frey—comment upon whose appointment taken from the New York Journal of Commerce of July 14, just last month, I now place before Senators showing how entirely satisfactory to foreign interests is the appointment of these three men by the present Shipping Board. Mark you, J. Barstow Smull and William J. Love were in important positions under the old Shipping Board in connection with the direction of operations and the chartering of vessels.

The Journal of Commerce said on July 14, 1921:

There was genuine delight in shipping circles yesterday over the appointment of William J. Love, J. Barstow Smull, and A. J. Frey as members of the new operating committee for the Shipping Board. Not only were American interests pleased by the action taken, but the directors of foreign lines expressed great satisfaction.

And so forth.

Mr. President, I know that many Senators upon this floor have received letters of severest complaint and stricture upon those appointments, from owners of independent lines who have suffered the destruction of their business and the discrimination of the Shipping Board through these same men when they were in official positions before, and who know their connection and their affiliation with British shipping organizations.

Mr. STANLEY. Mr. President—

The PRESIDING OFFICER (Mr. KING in the chair). Does the Senator from Wisconsin yield to the Senator from Kentucky?

Mr. LA FOLLETTE. I yield.

Mr. STANLEY. In that connection has the Senator from Wisconsin looked into the question of rates, say, on coal from Cardiff and from American ports to South American ports? For instance, the points consuming coal on the eastern coast of Brazil and Argentina are practically the same distance from American ports, from Savannah and New York, as from Cardiff. We produce coal at a much less cost on account of superior productiveness of the American mine and on account of the greater economies in production, because our coal is taken out of mines nearer the surface, while they have to go down two or three thousand feet. Notwithstanding the fact that their costs of production are very much greater, until very recently we have not been able to deliver coal to South American ports because the cost of transporting the coal the same distance from American ports as from Cardiff was more than sufficient to absorb all the economies in production.

Mr. LA FOLLETTE. I have had my attention called to that matter.

Mr. STANLEY. It is an immense question.

Mr. LA FOLLETTE. Yes; it is a question of tremendous importance. It goes to the very heart of the problem of our getting our products from this country into foreign markets.

Mr. STANLEY. I do not wish to interrupt the Senator, but I wish to get this idea in at this time, because it will be interesting to the country generally. I took the matter up with the Shipping Board and with the Geological Survey. The best coals of this country, Pocahontas coal and coal from West Virginia and eastern Kentucky fields, are superior, if anything, measured by the British thermal unit, to the Cardiff coal. They are not any more liable to spontaneous combustion or any of the defects that affect so many coals, the black coals of the Saar Valley and a good many of the coals of our section and the Central and Middle West.

I have never been able to understand just why, if the British shipping is maintaining the same rate for eastbound and westbound traffic, it seems to have been impossible until very recently to compete with British coals. As an instance, we consumed during the war over 500,000,000 tons of Chilean nitrate, and yet we were unable to furnish coal on the return trips of those ships sufficient to transport that nitrate from the mines to the seacoast. Our entire shipment of coal to South American ports is negligible at this time.

Mr. LA FOLLETTE. I am obliged to the Senator for contributing to the discussion the observations which he has just made. As we proceed with consideration of the subject we shall be constantly developing facts of tremendous national interest which require immediate attention. I have not gone

into the matter of rates. I simply took this survey of national and international interests so far as affected by corporate relations and interrelations and contracts, and have not taken up the extent or touched the way in which the commercial interests of the United States are suffering through this sort of arrangement. That will all come as a part of our further consideration of this great subject. I am glad, however, to have had the Senator from Kentucky touch upon it.

Mr. STANLEY. I should like to observe, although I do not wish to take further time of the Senator, that a differential in the rates of ocean carriers against American commerce at this time would entail a greater hardship and a greater loss upon American producers than the enormous losses afforded by the shipowners in an effort to obtain the American merchant marine in the face of the handicap that the Senator has mentioned.

Mr. LA FOLLETTE. I have little doubt of that, although as I said, I have not up to the present time undertaken an investigation of that great subject. I have had my attention called to it by various industrial organizations of the country and independent shipping companies suffering from this situation.

Mr. President, in connection with the appointment of these three men by the new Shipping Board to these positions of great power, really the directors of operations, the men who were in charge of all the movements of the shipping facilities that we have been expending these vast amounts of money to create, I wish to say this: The connection of Mr. Smull with the firm of J. H. Winchester & Co., steamship agents and ship brokers, established in 1856, which has direct connection and affiliation with British interests, the connection of Mr. Love with the International Mercantile Marine, which has the tie-ups to which I have directed the attention of the Senate through the contracts, and the connection for many years of Mr. A. J. Frey, who has received appointment by the new Shipping Board, with the Pacific Mail Steamship Co., which is one of the large British shipping companies, are all important, and I mention them now in connection with a proceeding that was started about a week or 10 days ago by the Shipping Board, evidently with these very men behind it and pushing it forward, to dispossess of its Shipping Board vessels what appears from newspaper statements to be a purely American shipping company, the United States Mail Steamship Co., a company that had taken over from the old Shipping Board a number of vessels under contracts which provided that they should be overhauled and that certain allowances were to be made for them.

Senators may have noticed that the United States Shipping Board just a few days ago, under court proceedings through the United States marshal, took possession of those vessels that were under the contracts made between the old Shipping Board and the United States Mail Steamship Co., and gave out that they had violated their contract; that they were behind in their rentals; and that the Shipping Board was starting in to make a clean-up for the new order of things.

What happened? The shipping company made a public statement that every dollar of the money which was invested in their business was the money of American citizens; that they were trying to build up a truly American line; that they owned some ships of their own; that they had taken those ships of the American Shipping Board under the contract made with the old Shipping Board; that they were proceeding as best they could under the circumstances to recondition those ships for overseas service; that during the time that they were engaged in reconditioning them the shipping conditions underwent a great depression; that, however, they were within their contract rights, because it was provided that if any occasion arose for differences with respect to contract rights there should be arbitration; and that they were not going to surrender to this movement on the part of the new Shipping Board. Their charges are openly made in the press reports.

Mr. President, it is charged openly in the press of this country and other countries that this movement on the part of the Shipping Board was instigated by foreign interests, represented through their officials, who had the old-time affiliations with British shipping; that they were reaching out, through the power of the Federal Government, to throttle a real American organization, which wanted to put the American flag on the high seas, and that was doing it very successfully; that had its lines operating and breaking in for the first time in history on the great ocean-carrying trade of foreign Governments in the passenger service, as was shown by the figures which they gave.

Mr. President, I repeat, they stated that they were within their contract rights, and that they would fight the Shipping Board to the last ditch to hold on to those vessels. I observe that an injunction, which was temporarily granted to restrain

the United States Mail Steamship Co. from operating those ships, was dissolved and that they are in possession of the ships.

If the Shipping Board does not back down completely, as it has been backed off the boards in their first attempt to secure out of hand control of those vessels, the matter will have to be fought out at length. I trust that some of the facts which are stated in the newspaper accounts will be developed in court, in order that we may have that aid in ascertaining just how much our new Shipping Board is being imposed upon by British and other foreign interests.

THE PROBLEM THAT CONFRONTS US.

The question which is confronting the country to-day respecting our merchant marine is much larger than any question of graft or incompetence on the part of any officials who have been connected with the Shipping Board. British influence and British power could not keep us from our rightful place upon the seas if she had not cleverly made it for the interest of our own shipping concerns and financial institutions to continue British supremacy upon the seas. British propaganda and British intrigue can do no harm when we know it and recognize it for what it is. But when it comes to us from our own people, through our own press, and even through our own public officials, then, indeed, it does harm.

You may ask, What are we going to do about it? My answer is that the first thing we should do about it is to find out the facts. I believe that the conditions existing in the International Mercantile Marine Co. are typical of those existing mainly in all our great shipping companies, upon the patriotism and loyalty of which we are counting to build up an American merchant marine. The first thing to do is to conduct a searching investigation into the whole subject and see what the relations are between the shipping and transportation interests of this country and Great Britain. If the conditions are such as I have shown to exist in the case of this one company, then we should do what we ought to do in the case of this company—we should compel it to divorce itself absolutely from British shipping interests if it wishes to continue in business as an American shipping company. It can not serve two masters. It can not be bound by contracts or by self-interest to serve and promote British shipping and at the same time serve and promote our own shipping, which is in direct competition with that of Great Britain. You may say the remedy is drastic. I answer that the disease calls for a drastic remedy. If we are to build up an American merchant marine, we must have the absolute loyalty of every person engaged in that enterprise from seaman to shipowner. There must be no divided allegiance. The crews must be American seamen, the officers must be American officers, and the ships must be American owned and free to meet the competition of Great Britain and all other countries in a legitimate struggle for our portion of the maritime commerce of the world.

CALL OF THE ROLL.

Mr. JONES of Washington. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. McNARY in the chair). The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Ashurst	Harrell	McKellar	Stanfield
Borah	Harris	McKinley	Stanley
Brandegee	Harrison	McNary	Sterling
Broussard	Heflin	Moses	Sutherland
Bursum	Hitchcock	Nelson	Swanson
Capper	Johnson	Nicholson	Townsend
Caraway	Jones, Wash.	Norbeck	Trammell
Curtis	Kellogg	Oddie	Wadsworth
Dial	Kenyon	Overman	Walsh, Mass.
Edge	Keyes	Pittman	Walsh, Mont.
Ernst	King	Ransdell	Warren
Fernald	Ladd	Sheppard	Watson, Ga.
Fletcher	La Follette	Smith	Williams
Gooding	McCormick	Spencer	Willis

The PRESIDING OFFICER. Fifty-six Senators having answered to their names, there is a quorum present.

PETITIONS AND MEMORIALS.

Mr. JONES of Washington presented four memorials of sundry citizens of Anacortes and Skagit Counties, Wash., remonstrating against the enactment of legislation making stringent regulations for the observance of Sunday in the District of Columbia, which were referred to the Committee on the District of Columbia.

Mr. HARRIS presented a resolution adopted by Bunting-McWilliams Post, No. 658, Veterans of Foreign Wars of the United States, of Macon, Ga., favoring the amendment of the so-called soldiers' bonus bill so as to include all soldiers who have served their country in any war upon foreign soil, which was referred to the Committee on Finance.

Mr. WILLIS presented a petition of sundry members of Uncle Sam Council, American Association for the Recognition of the Irish Republic, of Cleveland, Ohio, praying for the passage of the so-called La Follette and Norris resolutions relative to Ireland, which was referred to the Committee on Foreign Relations.

Mr. ROBINSON presented a petition of sundry citizens of Siloam Springs, Ark., praying for the repeal of the 10 per cent sales tax on manufactures of carbonated beverages in closed containers imposed by section 628-A of the revenue act of 1918, which was referred to the Committee on Finance.

PORT OF NEW YORK AUTHORITY.

Mr. NELSON, from the Committee on the Judiciary, to which was referred the joint resolution (S. J. Res. 88) granting consent of Congress to an agreement or compact entered into between the State of New York and the State of New Jersey for the creation of the port of New York district and the establishment of the port of New York authority for the comprehensive development of the port of New York, reported it with an amendment.

CONTRACTS FOR THE FUTURE DELIVERY OF GRAIN.

Mr. CAPPER, on behalf of the Committee on Agriculture and Forestry, submitted an amendment intended to be proposed to the bill (H. R. 5676) taxing contracts for the sale of grain for future delivery, and options for such contracts, and providing for the regulation of boards of trade, and for other purposes, which was ordered to lie on the table and to be printed.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WADSWORTH:

A bill (S. 2338) to carry out the findings of the Court of Claims in the case of Samuel F. Hazzard; to the Committee on Claims.

By Mr. MCKINLEY:

A bill (S. 2339) granting a pension to Leota M. Jones; to the Committee on Pensions.

By Mr. HARRIS:

A bill (S. 2340) to authorize the construction of a toll bridge across the St. Marys River, at or near St. Marys, Ga., and Roses Bluff, Fla.; to the Committee on Commerce.

REPORT ON INTERNATIONAL BOUNDARY.

Mr. WADSWORTH submitted the following resolution (S. Res. 119), which was referred to the Committee on Printing:

Resolved, That the report of the International Waterways Commission upon the International Boundary between the Dominion of Canada and the United States through the St. Lawrence River and Great Lakes, together with the accompanying maps and illustrations, be printed as a public document.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by Mr. Overhues, its enrolling clerk, announced that the House had passed without amendment the following Senate bills:

S. 252. An act to amend an act approved February 22, 1889, entitled "An act to provide for the division of Dakota into two States and to enable the people of North Dakota, South Dakota, Montana, and Washington to form constitutions and State governments, and to be admitted into the Union on an equal footing with the original States, and to make donations of public lands to such States"; and

S. 732. An act to extend the provisions of section 2455, Revised Statutes, to the lands within the abandoned Fort Buford Military Reservation in the States of North Dakota and Montana.

The message also announced that the House had passed the following Senate bill and joint resolution, each with amendments, in which it requested the concurrence of the Senate:

S. 1934. An act granting the consent of Congress to the Huntington & Ohio Bridge Co. to construct, maintain, and operate a highway and street railway toll bridge across the Ohio River, between the city of Huntington, W. Va., and a point opposite in the State of Ohio; and

S. J. Res. 36. Joint resolution authorizing the appointment of a commission to confer with the Dominion Government or the provincial governments of Quebec, Ontario, and New Brunswick as to certain restrictive orders in council of the said Provinces relative to the exportation of pulp wood therefrom to the United States.

The message further announced that the House had passed bills of the following titles, in which it requested the concurrence of the Senate:

H. R. 77. An act for the consolidation of forest lands within the Clearwater, St. Joe, and Selway National Forests;

H. R. 244. An act to provide for the disposition of abandoned portions of rights of way granted to railroad companies;

H. R. 2205. An act to add certain lands on the North Fork of the Shoshone River to the Shoshone National Forest;

H. R. 4813. An act changing the period for doing annual assessment work on unpatented mineral claims from the calendar year to the fiscal year beginning July 1 each year;

H. R. 6259. An act for the consolidation of forest lands in the Colorado National Forest, Colo., and for other purposes;

H. R. 6262. An act to add certain lands to Mount McKinley National Park, Alaska;

H. R. 6514. An act granting Parramore Post No. 57, American Legion, permission to construct a memorial building on the Federal site at Abilene, Tex.; and

H. R. 7328. An act to authorize the construction of a bridge across the Pend d'Oreille River, Bonner County, Idaho, at the Newport-Priest River road crossing, Idaho.

The message also announced that the House had passed a concurrent resolution (H. Con. Res. 26) extending the time for completion of the investigation and filing of report of the Joint Commission of Agricultural Inquiry to not later than the first Monday in January, 1922, in which it requested the concurrence of the Senate.

THE MEAT-PACKING INDUSTRY—CONFERENCE REPORT (S. DOC. NO. 59).

Mr. KENYON. Mr. President, I present the conference report on what is known as the packer bill, and ask that it be printed in the Record and lie on the table. I give notice that I shall call it up at the first opportunity.

The PRESIDING OFFICER. The report will be printed, printed in the Record, and lie on the table.

The report is as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6320) to regulate interstate and foreign commerce in live stock, live-stock products, dairy products, poultry, poultry products, and eggs, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses, as follows:

That the Senate recede from its amendments numbered 1, 2, 3, 4, 5, 7, 8, 12, 13, 14, 18, 19, and 20.

That the House recede from its disagreement to the amendments of the Senate numbered 15, 16, and 17, and agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert: "buying or selling on a commission basis or otherwise" and a comma; and the Senate agree to the same.

Amendment numbered 9: That the House recede from its disagreement to the amendment of the Senate numbered 9, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "90 days"; and the Senate agree to the same.

Amendment numbered 10: That the House recede from its disagreement to the amendment of the Senate numbered 10, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "buying or selling on a commission basis or otherwise" and a comma; and the Senate agree to the same.

Amendment numbered 11: That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "buying or selling on a commission basis or otherwise" and a comma; and the Senate agree to the same.

WM. S. KENYON,

JOHN B. KENDRICK,

Managers on the part of the Senate.

G. N. HAUGEN,

J. C. McLAUGHLIN,

CHARLES B. WARD,

H. M. JACOWAY,

JOHN W. RAINEY,

Managers on the part of the House.

EXPORTATION OF FARM PRODUCTS.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 1915) to provide for the purchase of farm products in the United States, to sell the same in foreign countries, and for other purposes.

Mr. SMITH. Mr. President, I do not think any measure has been proposed to this body which is of more importance than the present proposed legislation. Of course it is practically impossible for Members of this body to know intimately the real condition that exists in the agricultural districts. Most of us come from the urban communities, and what we hear we hear indirectly, and what we see does not give us a good basis of judgment. It is only those who are intimately associated with those who have to bear the burden that is now placed upon agriculture who know the distressful conditions under which the agricultural districts are laboring. I congratulate this body and those who were instrumental in formulating the present substitute for the so-called Norris bill upon providing, in my judgment, the best solution that has been presented to this Congress for the immediate distressing conditions that confront agriculture.

I wish I had the time to go into some of the causes that have brought about this condition, but it would take too long, and I am therefore going to devote myself to the substitute offered by the Senator from Minnesota [Mr. KELLOGG] as amended by the subcommittee that was appointed to take that matter in charge.

As I said a moment ago, the present amended form of the finance corporation act promises more for the immediate relief of the farmers of this country than any other measure or suggestion that has been presented to Congress. The deflation of currency and restriction of credits that became so rampant during the last year or more of course fell upon the farmer with more terrible effect than upon any other class, the reason being that as a class he has practically no reserve capital to fall back upon in times like these, and must therefore secure aid in financing his crop until market conditions improve or become bankrupt and penniless. It was hoped that with the revival of the War Finance Corporation it would be able to open a way to foreign markets that would bring tolerable relief. Its original functions being restricted entirely to export, it has become apparent that the volume of exports and the prices are wholly inadequate to meet the situation. It is therefore necessary to provide a means by which the farm products can be financed during the time of market stagnation.

The financial institutions in the agricultural districts find it impossible to finance the crops as is now required and meet their other obligations without additional substantial aid. To meet this situation the present amendment to the War Finance Corporation act is offered.

In a word, Mr. President, when the War Finance Corporation was rehabilitated by Congress and put into operation it was done in the belief that this organization could find a way to open the foreign markets to such an extent as to relieve the pressure at home and bring the relief desired. Upon investigation, however, it was found that the conditions in the foreign markets were such, or were alleged to be such, that the surplus accumulations in this country could not find a market there. Therefore it became necessary for us to find a means to enable the producers of our staple crops so to finance them as not to bankrupt them and ruin them while the process of rehabilitation was going on abroad and at home. Therefore it became necessary to amend the War Finance Corporation act and give them powers in addition to those that they now have. Therefore I invite the attention of Senators to the first amended section—22—which provides as follows:

Whenever the board of directors of the corporation shall be of the opinion that conditions arising out of the war or out of the disruption of foreign trade created by the war have resulted in or may result in an abnormal surplus accumulation of any staple agricultural product of the United States, and that the ordinary banking facilities are inadequate to enable producers of or dealers in such products to carry them until they can be exported or sold for export in an orderly manner the corporation shall thereupon be empowered to make advances for periods not exceeding one year from the respective dates of such advances upon such terms not inconsistent with this act, as it may determine: (a) To any person engaged in the United States in producing, dealing in, or marketing any such products for the purpose of assisting such person to carry such products until they can be exported or sold for export in an orderly manner. Any such advance shall bear interest—

And so forth. Now, we are amending it so that those who are producing stuff for export can hold it until such time as the export market would justify the shipment and sale of these articles.

I have read only a part of section 22, but it is evident, all of us know, that the export price of any farm product is reflected in the domestic price. Therefore if the export price is so low as to spell bankruptcy the domestic price is the same. Therefore it became imperative to provide means to take care of this feature of the case.

Section 24 therefore provides that—

Whenever in the opinion of the board of directors of the corporation the public interest may require it, the corporation shall be authorized and empowered to make advances upon such terms not inconsistent with this act as it may determine to any bank, banker, or trust company in the United States which may have made advances for agricultural purposes, including the breeding, raising, fattening, and marketing of live stock. Such advance or advances may be made upon the promissory note or notes or other instrument or instruments in such form as to impose on the borrowing bank, banker, or trust company a primary and unconditional obligation to repay the advance at maturity with interest as stipulated therein, and shall be fully and adequately secured in each instance by indorsement, guaranty, pledge, or otherwise. Such advances may be made for a period not exceeding one year, and the corporation may from time to time extend the time of payment of any such advance through renewals, substitution of new obligations, or otherwise, but the time for the payment of any such advance shall not be extended beyond two years from the date upon which such advance was originally made.

The corporation may, in exceptional cases, upon such terms not inconsistent with this act as it may determine, purchase from domestic banks, bankers, or trust companies notes, drafts, bills of exchange, or other instruments of indebtedness secured by chattel mortgages, warehouse receipts, bills of lading, or other instruments in writing conveying or securing marketable title to staple agricultural products, including live stock. The corporation may from time to time, upon like security, extend the time of payment of any note, draft, bill of exchange, or other instrument acquired under this section, but the time for the payment of any such note, draft, bill of exchange, or other instrument shall not be extended beyond two years from the date upon which such note, draft, bill of exchange, or other instrument was acquired by the corporation. The corporation is further authorized, upon such terms as it may prescribe, to purchase, sell, or otherwise deal in debentures, promissory notes, or other obligations, adequately secured, issued by banking corporations organized under section 25(a) of the Federal reserve act. No such promissory notes, debentures, or other obligations shall be purchased which have a maturity at the time of such purchase of more than five years.

Advances or purchases may be made under this section at any time prior to July 1, 1922.

Therefore it renders aid not only for the purpose of holding export articles, but also for the purpose of helping finance those who would be bankrupt under the present domestic market conditions, to enable them to carry their products until such time as they may find a market for them.

The second paragraph of section 24 provides for aid to State banks where the laws of the State limit the lending power of such banks to a per cent of their capital and surplus. It authorizes the Finance Corporation in such cases to buy the farm securities held by such banks, thus enabling such banks to use the purchase money thus obtained to extend further aid to their customers. The power to do the things above set forth is extended to 1927—five years.

To sum up the purpose and intent of the bill, it is to extend immediate credit, financial aid, to farmers through local banking institutions, farm organizations, export companies, and banking associations organized under the Edge Act to enable them to meet the stagnated condition of the markets.

Section 6 amends paragraph 1, section 13, of the War Finance Corporation act so that notes as well as bonds of the corporation may be taken by member banks and be discounted by Federal reserve banks. In this connection it is important to note the financial condition of the Federal reserve system. I invite the particular attention of Senators who are doing me the honor to listen to what I have to say in reference to this bill to this particular feature:

On last Saturday, July 30, I asked the Comptroller of the Currency to give me an official statement of the reserve of the Federal reserve banks, and I received the following:

Referring to your request to be advised as to the reserves of Federal reserve banks, I beg to advise you as follows:

Actual reserves—

I asked him in this communication to give me the actual reserves of each reserve bank in the 12 reserve districts of this country, and these are the facts as set forth—

Boston, 77.6 per cent—

Senators will bear in mind that the legal requirement against outstanding circulation—all the regional banks have the circulating privilege—is 40 per cent of gold, while 35 per cent is required against deposits.

The letter reads:

Actual reserves:	
Boston	77.6
New York	72.3
Philadelphia	63.7
Cleveland	66.4
Richmond	43.8
Atlanta	40.9
Chicago	59.9
St. Louis	53.9
Minneapolis	39.2
Kansas City	51.8
Dallas	42.4
San Francisco	62.1
Total average	63.5

Your attention is called to the fact that Richmond, Minneapolis, Atlanta, and Dallas are borrowing \$61,427,000 from Boston, New York, and Cleveland.

The adjusted percentage for Atlanta is 39 per cent; for Minneapolis, 25.6 per cent; and for Dallas, 16.6 per cent. You will note, therefore, Dallas, without borrowing to keep up its reserve, only has 16.6 per cent.

There is attached a memorandum giving figures as to the gold reserves.

Senators will bear in mind that when we passed the Federal reserve act, we passed it creating 12 regions, and making each reserve bank in these regions a central bank, to accommodate the member banks in that district, and we had hoped that the whole system would operate automatically; that is, if there was a plethora of funds in a given district, and a lack of funds in another, that there would be almost an automatic flow from the high to the low to bring the average. It has not so operated.

Mr. WARREN. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Wyoming?

Mr. SMITH. I yield.

Mr. WARREN. When we provided for this distribution of 12 regional banks, instead of having one general Federal bank, the argument was exactly as the Senator has stated what its purpose should be; that is, that the member banks should be branches of one whole, and that the whole should operate for the whole of the United States, or wherever its territory extended, and it was expected that one would perhaps borrow from the other, or make some arrangements whereby the flow would be as if it were from one single bank.

Mr. SMITH. I recall, as the Senator has suggested, that under the so-called Aldrich plan the proposition was that we have one great central bank, and all the others subsidiary, and that the needs of any one would be met by the great parent institution, in accordance with the reserves and capital which the central bank held. But the other system prevailed, and now consists of 12 regional banks with a governing board here. The members of that board are bankers.

We have a condition in which four of the banks of the system are borrowers, three of them below the reserve, but borrowing from the balance of the system, while the whole system has what? This memorandum says:

There is attached a memorandum giving figures as to the gold reserve, as follows:

Figures as of Wednesday, July 27, 1921.

Federal reserve notes in circulation	\$2,537,617,000	
Reserve required, 40 per cent		\$1,015,047,000
Total deposits	1,695,274,000	
Reserve required, 35 per cent		593,346,000
Total required reserves		1,608,393,000
Reserves held:		
Gold	2,531,231,000	
Legal tender	154,065,000	
Total		2,685,296,000
Excess reserves (free gold)		1,076,903,000

The amount of gold held by the 12 regional banks against which there are no outstanding reserve notes and no circulation, against which there is no kind of obligation, gold held in the vaults of these banks, is \$1,076,000,000. Taking the 40 per cent that is required to secure outstanding circulation, there could be issued in the form of currency \$2,300,000,000, in addition to what is already in circulation.

By this bill we are providing the machinery by which this enormous credit held in the entire system may be made available for the agricultural interests of the entire country, regardless of the condition of the regional bank of any particular district. We have provided in this legislation that the Federal reserve banks are authorized to accept the notes and bonds of this corporation as collateral and discount their paper, and they in turn can extend the necessary credit to the farmers of the different districts.

Richmond, Dallas, Minneapolis, and Atlanta, and the different banks which are now borrowers and which have exhausted their reserves, need not necessarily go to any of the Federal reserve banks. This corporation is authorized to take their paper and to finance them for a period of two years, with the privilege of renewal.

Mr. KING. Mr. President, will the Senator permit an inquiry?

Mr. SMITH. I will.

Mr. KING. The fact that there is so large a gold reserve, just adverted to by the Senator, does not have any particular relation, however, to the power to loan which is given by this bill to the War Finance Corporation, does it?

Mr. SMITH. Not at all.

Mr. KING. In other words, the gold supply controlled by the reserve is not essential to enable the War Finance Corporation

to function, and function to the full extent contemplated by the bill?

Mr. SMITH. Not at all. But I was citing this to show that we have sufficient gold to increase our present circulation, within safety, to an amount in excess of \$2,000,000,000, and still possess the legal requirement of 40 per cent. That is the point I was making.

Mr. President, I said a moment ago, in starting my remarks on this bill, that when this question of deflation and contraction of credit first arose the natural law asserted itself; that everything moves along the line of least resistance, and the man who was hit first and hit most disastrously was the man who could offer no resistance, the farmer of this country. I am not going to stand here and deal in generalities. I sent to the Department of Commerce and had them send me their monthly summary of foreign commerce in the United States for the month of June in order to get the official information in reference to what effect this disastrous condition had had upon commodities in the raw state and in the manufactured state. I want Senators to hear what has occurred.

From the monthly summary of foreign commerce for June may be gained an idea of the effect of the present condition on farm products as compared with articles manufactured from these products. On page 36 of this document is found the number of pounds of hides exported and the amount received for the fiscal years 1920 and 1921, and the number of boots and shoes exported for the same time; the prices received in 1920 for hides and the prices received in 1921 for hides, the prices for boots and shoes in 1920, and the prices for boots and shoes in 1921. These are the figures:

In 1921 we exported 24,000,000 pounds of hides, valued at \$10,500,000, equal to 43 cents per pound.

In 1921 we exported 15,300,000 pounds, with a value of \$2,800,000, equal to 20 cents per pound, a little less than half, a shrinkage on the part of hides of about one-half.

On page 45 of the same document it is stated that the total number of boots and shoes, expressed in pairs, in 1920 were 20,000,000, with a value of \$78,000,000, equal to \$3.90 per pair.

In 1921 there were 12,000,000 pair, valued at \$44,000,000, equal to \$3.60 per pair, the reduction in value being 30 cents per pair, \$3.90 in the one case, \$3.60 in the other, while raw hides had shrunk a little more than half.

On page 32 of the same document it is stated that the total amount of cotton exported in 1920 was 6,378,000 bales, valued at \$1,378,000,000, equal to 20 cents per pound.

In 1921 we exported 5,357,000 bales of cotton, valued at \$599,000,000, equal to 11 cents per pound, just a little more than half the value of the previous year.

Now, I will give the prices on the manufactured cloth: In 1920 we exported 867,000,000 yards of cloth, and I am quoting these figures from the same source, with a total value of \$212,000,000, equal to 24 cents a yard, all cotton cloth.

In 1921 we exported 556,000,000 yards of cloth of the same kind, at a value of \$141,000,000, or 24 cents per yard; so that in 1921 the price of our exported cloth was exactly the same as in 1920, according to the figures of the Department of Commerce, while the raw cotton had shrunk about 50 per cent.

I use hides and cotton, as they seem to be the most prominent, to show that those who were organized and had the reserves could protect themselves in the midst of this cataclysm, while men who were producing raw material and who did not have the reserves suffered to the full extent of the contraction and the deflation.

As I said, these commodities in their raw and manufactured form and the prices obtained give an idea of the condition in which the farmer finds himself. Other staple manufactured articles in this summary show that the prices have not materially declined during this period of depression, though there is evidence of some decline in the volume of exports. In reference to the amount of cotton exported this year and the probable amount to be carried into the next fiscal year, I asked the Department of Commerce, through the Bureau of the Census, to give me the official figures.

We are attempting by this legislation to relieve the situation in which the producers find themselves. What I have to say about cotton is because perhaps I am more intimately associated with and have a better knowledge of that product than I have of other farm products and the methods of their marketing. There has been a widespread discussion as to the probable supply of cotton. We are trying to open the markets. I asked the Department of Commerce to give me the probable supply of ordinary staple cotton, and the reply was as follows:

MY DEAR SENATOR: In compliance with your telephonic request, I take pleasure in furnishing the attached statement on the supply of cotton in the United States, exclusive of linters and foreign cotton,

for the 11 months ending June 30, 1921; also statement showing the export of cotton, by countries to which exported, for the 11 months ending June 30, 1921.

Trusting that you may find these statements of service, I am,
Very truly, yours,

W. M. STEWART.

I wish now to give some figures as to the supply and distribution of cotton in the United States, exclusive of linters and foreign cotton for the 11 months ending June 30, 1921, in running bales:

Stocks held Aug. 1, 1920	3,280,000
Gained from crop of 1920	13,271,000
Total supply	16,551,000
Consumed during 11 months ending June 30	4,283,000
Exported during 11 months ending June 30	5,149,000
Total consumption and exports	9,432,000
Indicated stocks June 30, 1921	7,119,000
Estimated consumption and exports July (same as June)	930,000
Indicated stocks July 31	6,189,000

I pause here long enough to call attention to this very important fact in our efforts to help the farmer. In conjunction with our efforts to relieve him he is entitled to accurate statistics as to the condition of the supply and demand. All sorts of rumors have gone abroad as to the probable supply of American cotton for the fiscal year for cotton beginning August 1, 1921. Here is an official statement to the effect that if the consumption for July, which has already taken place and we need but to investigate the figures, shall be equal to that for June, there will be carried into the incoming crop not to exceed 6,000,000 bales. In that 6,000,000 bales are such grades of cotton as can not be used in ordinary commerce, ginned cotton, water-pack, and cotton that can not be used in commerce.

Mr. DIAL. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Carolina yield to his colleague?

Mr. SMITH. I yield.

Mr. DIAL. May I ask my colleague if he has any information as to how much of that is tenderable cotton under contracts?

Mr. SMITH. I can state to my colleague that efforts are being made now to ascertain just how much of the present stock of American cotton is of a grade which can be used by the spindle, and it is an almost insuperable task to get the data for reasons that are very convincing when understood.

Mr. DIAL. Is it not true that by reason of the war certain countries could not import cotton from this country as they formerly did, and is it not a fact that a great deal of that cotton not exported is supposed to be off-grade cotton?

Mr. SMITH. That is true. There were certain countries that used this low-grade cotton and on account of the war they were unable to import it from this country, resulting in an alleged oversupply of an undesirable grade of cotton here; but there is not, according to these figures, in excess of 6,000,000 bales of available merchantable, spinable cotton in America to be carried into the next crop.

Only yesterday the Department of Agriculture sent out its report as to the growing crop condition, and gave it as 64.4, the lowest condition reported in the last 25 years, and with that is coupled a reduction of 28 per cent in acreage, and with the advent of the boll weevil over almost now the entire cotton belt, having covered my State this year for the first time in its history, and North Carolina being the only remaining State not affected. They estimate that the incoming cotton will not exceed 8,300,000 bales, so that the world supply of American cotton for 1921-22 will not exceed in its entirety 14,000,000 bales of cotton, when the normal consumption is between 13,500,000 and 14,000,000 bales.

Mr. DIAL. And the worst month has not yet come to pass.

Mr. SMITH. That is true.

Mr. FERNALD. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Maine?

Mr. SMITH. Certainly.

Mr. FERNALD. I wish to ask the Senator if he has observed the trend of the market to-day in cotton on the strength of the census report?

Mr. SMITH. I have not.

Mr. FERNALD. I am sure the Senator would be very much interested in that.

Mr. SMITH. They reported yesterday and the market responded, but it is doubtful whether there is more than the world can absorb within a reasonable time. It holds out the hope of a reviving market and we encourage them by the financial support we are giving them. What I am attempting to show is

that the market is now far below the cost of production, while manufactured articles have remained about where they were during war times and the two or three years subsequent. I am trying to show that the condition of the law of supply and demand justifies the cotton producer in availing himself of all the opportunities we are extending through the War Finance Corporation to hold it himself until the law of supply and demand, governed by such help as we are giving now, will enable him to recoup some of the disasters that have been confronting him.

In connection with the exportation of only 5,000,000 bales as compared with 6,000,000 bales a year ago, though we are short a million bales, in round numbers, in the exports of this year, it is extremely interesting to note the countries to which we have exported and the volume they have taken. For instance, in 1920 we exported to Germany only 417,000 bales of cotton, while in 1921 we exported 1,084,000 bales of cotton. But that gain to Germany was lost in our exportation to the United Kingdom. We shipped to Great Britain or to the United Kingdom in 1920 3,000,000 bales, while in 1921 we shipped only 1,500,000 bales. But there is every reason to believe that the crisis in the world's condition has been reached and passed and that from now on the conditions will be more or less normal, and that those who are seeking the solution may from now on confidently expect a return to a normal condition.

Mr. RANSDELL. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Louisiana?

Mr. SMITH. I yield.

Mr. RANSDELL. I should like to have the Senator tell us whether he knows anything about the report published in the papers a few weeks ago to the effect that the carry over of cotton would be something like 10,500,000 bales instead of a fraction over 6,000,000 bales, as indicated in the actual figures furnished him by the Census Bureau.

Mr. SMITH. I made inquiry to know from what source emanated the report that there would be probably 10,000,000 bales of American cotton carried over, yesterday being the beginning of the cotton fiscal year, and they were unable to give me any information whatever. The papers had it, as the Senator from Louisiana will recall, that it emanated from one of the bureaus of the Government. This is the only bureau of the Government charged with the duty of giving out statistics as to the supply and distribution of cotton, and the figures which I have given are the official figures over the signature of the Director of the Census.

Mr. RANSDELL. Has the Senator made any effort to ascertain whether any other Government bureaus have given out any such figures as 10,500,000 bales, the giving out of which information I believe affected the market and brought the price down?

Mr. SMITH. I do not recall any other bureau. It was alleged that one bureau earlier in the year, or perhaps some time last year, had made an estimate of the probable carry over, but these are the official figures and are the only ones that have any right to go out from the Government.

Mr. RANSDELL. The figures which the Senator presents are the actual stocks up to the 30th of June of this year—June 30, 1921?

Mr. SMITH. Yes.

Mr. RANSDELL. The only estimate whatsoever is for the month of July past, and for that month they made it just the same as for June?

Mr. SMITH. Yes.

Mr. RANSDELL. So this must be very nearly correct?

Mr. SMITH. On the 14th of August the actual figures will be given out, and I was informed that this was not very far out of line.

Mr. President, I have certain amendments to the bill that I intend to offer when we come to the question of considering amendments to the bill. I have studied the bill in all its different sections. I look upon it as being the best aid that has been offered to the farmers of the country since we have been in session and since this crisis has been upon us. The only question that remains is, Will the War Finance Corporation meet faithfully the obligations imposed by the pending bill?

We give them first the power to open up foreign markets, and if an amendment that is now pending shall be incorporated in the bill, we give them the power to deal directly with foreign corporations. We do not think it wise under the present political condition existing in Europe to authorize and empower them to deal with governments and subdivisions of governments because there might arise complications that might embarrass us, and certainly would lead to no good if by the elim-

ination of them and the substitution of corporations we can avoid that difficulty and serve the same purpose.

Mr. KELLOGG. Mr. President—

The PRESIDING OFFICER (Mr. FERNALD in the chair). Does the Senator from South Carolina yield to the Senator from Minnesota?

Mr. SMITH. Certainly.

Mr. KELLOGG. The Senator knows, I believe, that even at the present time if any foreign Government desires to guarantee the purchase of cotton or any products, that guaranty is accepted by the War Finance Corporation, and can be so accepted.

Mr. SMITH. It can be accepted on the indorsement of private corporations. It was the judgment of the committee that we need not have the intervention under certain conditions of a domestic corporation to indorse this paper. We thought that the War Finance Corporation would have sufficient judgment to deal directly with the proper foreign corporation or individual, who might put up collateral sufficient to guarantee the repayment of whatever might be purchased. We not only have clothed them with the power to finance products for export and to deal directly with foreign corporations but we have empowered them to lend assistance to every legitimate organization in the country that is now assisting in solving the agricultural problem that confronts us.

Mr. HITCHCOCK. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Nebraska?

Mr. SMITH. Certainly.

Mr. HITCHCOCK. Did it not have that power under the amendment adopted in March, 1919, and reenacted about six months ago when we passed a joint resolution reviving the War Finance Corporation?

Mr. SMITH. It has all the powers that it then had, save one, as to export. Under the law, not as it is proposed to be amended in the substitute, it had no power whatever to help finance the holding of purely domestic products, but they will have under the proposed amendment.

Mr. KELLOGG. Will the Senator yield to me?

Mr. SMITH. I yield.

Mr. KELLOGG. Under the original War Finance Corporation law aid could only be given in the case of exports, but this permits the corporation to aid in carrying products until they can be exported, which, of course, is just as necessary. That is why the bill was enlarged.

Mr. SMITH. Mr. President, I desire to go on with the enumeration of the powers which we propose to confer upon the corporation. It may not only extend aid to all organizations in this country which are engaged in exporting, but it may also extend aid to those which are financing agricultural products in this country under the present stagnant condition of the market. We—and when I say “we” I mean the members of the subcommittee to whom were submitted the so-called Norris bill and the Kellogg substitute—did not think it wise, after going carefully over the matter, to authorize the War Finance Corporation to deal directly with persons, for the reason that anyone at a glance will see that the organization, composed of five or seven members, which is proposed to be invested with the power to meet a financial situation which is acute and distressing, would be required to have an army of employees to examine and pass on applications for individual credit from all the farmers of the country. Therefore, we thought we would best serve the farmers if we should restrict the power to those institutions which the farmers are already using, and which, under the present order of deflation and contraction, have been paralyzed in their efforts to help the farmer. So we propose to offer to amend the original committee amendment by substituting for persons or individual producers farm organizations, in addition to aiding exports assisting farmers to carry their products until the export trade may be rehabilitated.

Mr. HITCHCOCK. For what length of time is that permitted?

Mr. SMITH. For from two to five years.

Mr. HITCHCOCK. I find a limitation of one year in section 22.

Mr. KELLOGG. That is as to the original credit, but the credit may be extended, I will say to the Senator from Nebraska.

Mr. SMITH. Yes.

Mr. HITCHCOCK. The credit is for one year.

Mr. KELLOGG. I repeat, that is the original credit.

Mr. HITCHCOCK. In the original War Finance Corporation act, or at least in the amended act of last March credit may be extended for five years.

Mr. KELLOGG. That relates to issues of bonds.

Mr. HITCHCOCK. No.

Mr. SMITH. The Senator has reference to the issue of notes and bonds.

Mr. HITCHCOCK. I think not. It is provided in the act to which I have referred:

That the corporation shall be empowered and authorized, in order to promote commerce with foreign nations through the extension of credits, to make advances upon such terms, not inconsistent with the provisions of this section, as it may prescribe for periods not exceeding five years from the respective dates of such advances.

Mr. KELLOGG. That has not been changed at all, I will say to the Senator from Nebraska.

Mr. HITCHCOCK. Therefore this provision is less liberal than was the law as amended in 1919. I call the Senator's attention to the fact that cotton has been already carried for a year in this country and is almost at its lowest market price at this time, and here provision is made for carrying it only one year. I myself think it is a delusion and a snare. We have given the War Finance Corporation power and extended its power on several occasions, and yet nothing has happened.

Mr. SMITH. We now propose to give it the power to renew these obligations at its discretion.

Mr. HITCHCOCK. I think they have that power now. I think, furthermore, that the section to which the Senator referred a few moments ago, by which the corporation could use the agencies of the Federal reserve banks to extend credit, is another delusion and a snare.

Mr. SMITH. I call the attention of the Senator to page 4, section 23, of the committee substitute, which reads:

SEC. 23. Notwithstanding the limitation of section 1, the advances provided for by section 21 and section 22 of this act may be made until July 1, 1922. The corporation may from time to time extend the time of payment of any such advance or advances through renewals, substitution of new obligations, or otherwise, but the time for the payment of any advance made under authority of section 21 shall not be extended beyond five years from the date upon which such advance was originally made, and the time for the payment of any advance made under authority of section 22 shall not be extended beyond two years from the date upon which such advance was originally made.

So that ample provision is there made. We have given the authority to the War Finance Corporation to do the things which I have up to the present time enumerated. It remains to be seen whether or not they will discharge their duty as we have empowered them to do. We may rest assured that the farmers of the country—East, West, North, and South—will test this proposed law to the fullest, and we shall then know whether or not the War Finance Corporation has met the obligations which we have imposed upon them in this bill.

In addition to what I have called attention to we have empowered the corporation not only to aid through the member banks of the Federal reserve system, but we have authorized and empowered them to purchase paper from State banks where the State itself restricts the bank in its loaning power to a certain per cent of its capital and surplus. It is very evident that a State institution which is aiding farmers and has accepted farm paper up to the limitation that the law allows must stop, for even if the War Finance Corporation shall be willing to lend it still further money under the limitation of the State law it can not avail itself of a dollar; but if the War Finance Corporation will step in and purchase the paper outright it is then not a loan to the bank holding it, and the State bank can take the money that is derived from the sale of the paper for the purpose of further helping its customers.

Mr. WATSON of Georgia. Mr. President—

Mr. SMITH. I yield.

Mr. WATSON of Georgia. The Senator from South Carolina has stated that Congress is about to impose certain duties upon the War Finance Corporation. I call his attention to that part of the bill which seems to leave everything discretionary with the War Finance Corporation. There is nothing mandatory or compulsory about it so far as I can see. I shall be glad to hear from the Senator on that point.

Mr. SMITH. I am very glad to answer that question. The nature and kind of paper that might be offered, the condition of those offering it, the source from which it may come involve such considerations that it would be almost impossible for the Senate to be dogmatic about it. It is imperative that we should indicate what we want the War Finance Corporation to do and that they should do it as we want them to do it, but it is also essential that they should use their proper discretion as to the kind of security that may be offered. That is the reason why the measure has been framed as it appears in printed form.

Mr. KELLOGG. Mr. President, will the Senator from South Carolina yield to me for a moment?

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Minnesota?

Mr. SMITH. I yield.

Mr. KELLOGG. If the Senator from Georgia will permit me, the Norris bill simply authorized the corporation to take certain action. I think on close examination the Senator from Georgia

will come to the conclusion that it would be an impossibility for Congress to designate exactly what advances shall be made and make it obligatory upon the corporation to make such advances. Somebody must decide the various questions involved, and about all that can be done is to empower the corporation to carry out the objects of the act. The Senator from South Carolina knows the personnel and the history of the War Finance Corporation, I think, perhaps as well as any Senator on this floor, and he knows what they have succeeded in doing. It seemed to me that Congress must simply authorize the corporation to act along the lines indicated, writing an authorization into the law, but could not possibly direct what they must do.

Mr. SMITH. Mr. President, I appreciate fully what the Senator from Georgia feels and has reason to feel. We gave certain discretionary power to another source of relief; but, not intending to be harsh, in my opinion they did not use that discretionary power wisely. So far as my knowledge of the War Finance Corporation is concerned, I believe that, with the power reposed in them, they have already done more for the relief of the distressed condition of the agriculture interests of the country than any other organization we have had.

Mr. WATSON of Georgia. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Carolina yield further to the Senator from Georgia?

Mr. SMITH. I yield.

Mr. WATSON of Georgia. If the Senator will allow me to be a little more explicit, I think perhaps he did not quite get my idea. Of course, the selection of the securities would necessarily be left to whoever advanced the money upon those securities; but the point I had in mind was this: The War Finance Corporation must decide, first, whether abnormal conditions exist that grow out of the war; and, second, whether or not the present banking facilities are sufficient to cope with the difficulties of that situation. Therefore there is one discretion heaped upon another. They would have to decide both of these questions in favor of those who desire loans, and there is not one word in the act that is compelling, so far as I can see.

Mr. SMITH. I recognize, Mr. President, that there is possibly some ground for criticism where we leave it discretionary with them to determine the conditions prevailing in the country, whether or not the assistance of the corporation is justified and whether or not the condition of the banks is such that relief should be afforded; but—

Mr. McKELLAR. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Tennessee?

Mr. SMITH. I yield.

Mr. McKELLAR. While on that subject will the Senator give me his views about the first sentence in section 24 as it occurs both in the Kellogg substitute and the McNary substitute? It reads as follows:

Whenever in the opinion of the board of directors of the corporation the public interest may require it, the corporation shall be authorized and empowered to make advances upon such terms not inconsistent with this act as it may determine to any bank, banker, or trust company in the United States which may have made advances for agricultural purposes, including the breeding, raising, fattening, and marketing of live stock.

Why limit that to banks which may have already made advances? Why should not banks that otherwise would not be able to make such advances and would make them in the future be included? What was the purpose of the author or of the committee in limiting that provision to banks which may have made advances already?

Mr. SMITH. Section 23, I think, covers that.

Mr. McKELLAR. I am not making a statement about the matter. I am just asking for information.

Mr. SMITH. I think it is very obvious that a bank that has not made any advances for agricultural purposes up until the present time either is not located in a district where they are required or is a bank that will not under any circumstances make advances. I think, and, in fact, I know, that the purpose and object of this is to aid those banks that are already loaded up with farm paper not for export, for you may notice that that section is not for export. It refers to things that are being held on account of the stagnated condition of the domestic market—that is, if they have made advances, and the market does not justify a sale, they can aid those banks—and I should like to say in this connection that I think that section might properly be amended by adding the words that we have added to the other section, "such associations."

Mr. KELLOGG rose.

Mr. McKELLAR. Mr. President, I notice that the Senator from Minnesota is on his feet. Would the Senator object to his stating what was in his mind when this provision was drawn? I believe he was the author of it.

Mr. KELLOGG. If the Senator will yield—

Mr. SMITH. I shall be delighted.

Mr. KELLOGG. The original object of the War Finance Corporation act was to make new advances to people who wished to export. Then that was enlarged by a section providing for the making of new advances to people who were carrying products before they were exported; but it was represented to the committee, as I understand—and certainly the officers of the War Finance Corporation represented to me—that there was another condition in the country that was very burdensome. In many parts of the country the country banks are loaded up with paper, advances already made, on which they are unable to realize, and it restricts the business of that community; and it was thought wise that this corporation might aid in some cases in relieving those local banks of a situation of that kind, so that they would have what is called liquid capital or cash to make further advances and to carry on business in the ordinary way. In order to add to these powers, we thought it was wise to give them the added power of relieving banking institutions in the country which are now loaning to farmers and give them more credit or more money to use for that very purpose. That was the object.

Mr. McKELLAR. It seems to me that was excellent; but I was wondering why, in the discretion of the board, this credit might not be extended to other banks that had not made such advances, but that might well make them with this credit extended to them.

Mr. SMITH. I think it is obvious to the Senator that the purpose as set forth by the Senator from Minnesota covers the ground and the necessities of the case.

I want to state, Mr. President, that the subcommittee has certain amendments, which I am going to state now, so that they may be clearly understood.

On page 3, line 2, of the committee print, strike out the word "producing," and on the same line, after the word "products," insert "or to any association composed of persons engaged in producing such products."

So that we substitute, for the accommodation of the individual, farm organizations. We do not believe it is practicable, and I do not think Senators believe it is practicable, for the War Finance Corporation to finance the individual. He can utilize all of the already organized institutions of finance throughout his country and his organizations and have the situation relieved in that way.

Mr. RANDELL. Mr. President, may I ask the Senator if the words "to any person * * * dealing in or marketing any such products" would not include commission merchants, the people to whom the farmers usually send their cotton to be sold?

Mr. SMITH. Oh, to be sure.

Mr. RANDELL. They would be included in that term?

Mr. SMITH. They would be included in that term. This will include those who are now engaged in dealing in and marketing in any form these products.

The PRESIDING OFFICER (Mr. Moses in the chair). Does the Chair understand that the Senator from South Carolina formally offers that as an amendment?

Mr. SMITH. No; I am just stating the amendments that I propose to offer when we come to consider the bill for amendment.

On page 3, line 3, after the word "person," insert "or association."

On page 3, line 6, after the words "not exceeding," insert the words "1½ per cent in excess of."

It becomes necessary, as a matter of course, without any further explanation, when we attempt to encourage bankers to take this paper to allow them a margin of profit in the rate of interest in order to induce them to take it.

The last amendment that I propose to offer when this bill shall come up for amendment is the one to which I have already adverted. On page 3, lines 10 and 11, after the words "any person," strike out the comma and the words "Government, or subdivision of Government," so that we will restrict it to the organizations.

Mr. RANDELL. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. RANDELL. The Senator seems to have explained this bill pretty fully and very clearly, I must say. I wish to ask him now if the committee amendment proposed by the Senator from Oregon [Mr. McNary], together with the suggested changes which he has just described to us, does not embody all the really essential features of the original Norris bill, and also the essential features of the Kellogg substitute, with some additions prepared by the committee?

Mr. SMITH. In answer to that question, of course, I can speak only for myself. I can let other members of the subcommittee speak for themselves. I think a careful study of the provisions of this proposed substitute, which is fundamentally the Kellogg substitute for the Norris bill, will show that it not only does the thing that the Norris bill attempted to do, but it infinitely widens the scope of what it was proposed to do in that bill, and provides more efficient machinery with which to do it. A critical study of the Norris bill will show that it was entirely too restricted and contracted to relieve the distressed condition in which agriculture found itself. This substitute proposes to meet the situation with an already going concern by enlarging its powers, and I believe with due modesty I may say that the subcommittee to which these two measures were referred has added some additional desirable features; so that this proposed substitute as now amended represents the very best in the Kellogg substitute and all and more than was asked in the Norris bill, with the splendid finishing touches of the subcommittee.

Mr. RANDELL. May I ask the Senator if the essential feature of the Norris bill was not to provide for the direct export of agricultural products to foreign countries, and if that is not in substance fully provided for by paragraph (b) of section 22 of the McNary amendment?

Mr. SMITH. We took from the Norris bill subdivision (b), which was the heart of the Norris bill, and we have modified that so that in its present form it contains all the excellences without the dangers of the Norris bill.

Mr. RANDELL. May I ask the Senator, further, if the weakness of the Norris bill—which, I want to say, I supported vigorously, with all the power there was in me—was not that it did not provide for any loans to those in this country who felt it absolutely necessary to hold their products until they could be marketed in a more orderly manner? It did provide for exporting the goods, but in case you could not export them there was no provision made for lending money on them; and that is the heart, and a mighty good heart, I will say, of the Kellogg substitute.

Mr. SMITH. As I have said—and it is necessary to repeat it to answer the Senator's question—this not only takes care of exports but it enables those who are producing stuff for export to market it in an orderly manner and to hold it until such an orderly manner can prevail and to render assistance to those who do not even export, namely, those who are engaged in live-stock production. That is an essential feature of our production and commerce, and it is suffering as acutely as, or perhaps more acutely than, any other form of our agricultural production in this country. Those who have taken the time to investigate the matter will find that the live-stock people have suffered as acutely as any other class. Their condition is more precarious than even the condition of the producers of certain staple agricultural products. Live stock is a perishable commodity, and those that are ready for market must be marketed or a loss is entailed at once. They can not be stored indefinitely or kept indefinitely, so that the relief to the live-stock producers must come at once, like the relief to the producers of certain perishable field products.

Mr. STANLEY. Mr. President—

The PRESIDING OFFICER. Does the Senator from South Carolina yield to the Senator from Kentucky?

Mr. SMITH. I do.

Mr. STANLEY. I note that the Senator from South Carolina says that he proposes to strike out, after the word "person," in line 10, page 3, the words "Government, or subdivision of Government." I am hopeful that that provision as written is sufficiently safeguarded by the further proviso that "in no case shall any of the money so advanced be expended without the United States," so as to render unnecessary the striking out of those words on account of this condition of affairs.

Certain products in this country are purchased only by Governments. There are 500,000,000 pounds of tobacco that can be purchased only by Governments. No individual purchases tobacco for Japan, or Spain, or Portugal, or Italy, or France; and if the Governments that are in the business of buying farm products under those regie contracts will give the proper collateral in this country, just as an individual would put up the proper collateral and insure the payment in this country so that you will not have to look to the Government but will look to the collateral, I see no reason why an advance should not be made to a government under those circumstances as well as to an individual or a bank.

Mr. SMITH. There is no reason to doubt that in the case of the regie contracts to which the Senator refers, where certain foreign Governments have assumed a monopoly of the purchase and distribution of tobacco, they, through their proper

agents, can avail themselves of this clause just the same as they have heretofore.

Mr. STANLEY. They have not availed themselves of it heretofore.

Mr. McKELLAR and Mr. KELLOGG addressed the Chair.

The PRESIDING OFFICER. Does the Senator from South Carolina yield; and if so, to whom?

Mr. SMITH. I yield to the Senator from Tennessee.

Mr. McKELLAR. Mr. President, the trouble is that those nations which the Senator from Kentucky has mentioned deal with tobacco only through their Governments. It is a government-controlled article, and the government makes money out of it. Unless some such provision is put in the bill, the greatest market we have for tobacco in Europe will be taken away from us to a large extent. If those Governments will put up the security necessary to repay the loan, what earthly objection can there be? I can understand why we would not want to look to the Government itself for the payment of claims, because we have a great many claims against those Governments now. But if those Governments put up the collateral to repay the debt, and all that is to be expended in this country, it seems to me that this could well be done without any danger of loss.

Mr. SMITH. Mr. President, there is nothing to prohibit a government from dealing with an American corporation if it desires to purchase the product and gets the O. K. of this corporation. It can deal just as they have been doing in the years past.

Mr. STANLEY. What I am driving at is this: I see no reason or force in this Government making a fictitious contract, a John Doe arrangement, where a government is the consignee, the purchaser, where the government is a tobacco merchant. No individual in those countries can buy or sell tobacco, and in some of them they can not raise it. The Government itself is the high contracting party. It acts as broker.

Mr. SMITH. There is nothing in this bill, even in the section under consideration, which prohibits that.

Mr. STANLEY. But the Senator from South Carolina said that they propose to strike out the words "Government or subdivision thereof."

Mr. SMITH. Yes.

Mr. STANLEY. I see no necessity for striking that language out.

Mr. SMITH. The reason why it was thought wise to do it was because it was brought to our attention that there are certain political conditions in Europe that make it essential for us to take those words out, because there are certain Governments we can not deal with, and if they come as Governments and offer certain securities, and we turn them down because we have reason to believe that it is not a safe loan, we will discriminate against one in favor of another, and we will have complications right away.

Mr. KELLOGG. Mr. President, if the Senator will permit me, I would like to answer the Senator from Kentucky. There is nothing in the proposed law which prohibits any person or corporation in this country from dealing with any foreign Government and selling it anything, and taking any credit from any foreign Government it sees fit to take. I realize that in certain foreign countries tobacco is a Government monopoly, notably, in France; but there is nothing that will prohibit a tobacco dealer, whoever he may be, from selling to France, and if he wishes to take French bonds, or French credits, he can do it, as he always has done.

This simply provides that this Government corporation shall not, any more than the United States directly would, without the authority of Congress, extend further credit to foreign Governments. I do not believe we ought to extend credit to foreign Governments without the approval of Congress. It is a fact that with the exception of where foreign Governments have a monopoly, like the tobacco monopoly, as in France, where all the tobacco is bought by the Government, they do buy from our sellers, but, so far as anybody knows, the Government of France has never, and no Government has ever, asked American institutions to take Government bonds or Government credits. They pay cash, and, so far as we know, there is no necessity for them asking credit now. As I stated the other day, if the Senator will permit me—I do not want to take too much of his time—

Mr. SMITH. I am glad to have the Senator interrupt me.

Mr. KELLOGG. Outside of Poland, Austria, Hungary, and Germany, there is not a Government in the world to-day that is buying anything on credit as a Government, or has asked credit during the last year, and there is no probability that they will ask credit in buying anything. In fact, the Government buying in most of these countries has now been dispensed with, and Government restriction upon individual buy-

ing has been removed. Eighty-five per cent of our products go to countries other than the four I have named.

The question is whether the Congress—and it is for the Senate to decide—is to give a corporation of the Government a blanket power to extend credit to any Government in the world. Personally I am not in favor of it. I may be wrong. I do not believe we ought to do it. We have extended between ten and eleven billion dollars of credit now, and I have heard many Senators on this floor insisting that we should collect at once and collect our past-due interest. Why extend further credit?

It is also my opinion, from all I have been able to find out from the experts of the War Finance Corporation and the Treasury, that that provision authorizing the President, or, rather, this corporation—and I assume the corporation would not attempt to deal with foreign countries without the authority of the President—is unnecessary, and will add nothing whatever to our sales of American products. That is the opinion of the men I have talked with, and I value their judgment a good deal more than my own.

Another thing: It is a question whether we ought to authorize the President to extend credit to foreign Governments in view of the enormous credits owing us now from those same Governments. If it would accomplish anything I would be willing to waive my view on that subject; but personally I do not think it would amount to anything.

Mr. SMITH. I would just like to state to the Senator from Kentucky that this is one case in which there happens to be a government monopoly, but even that section, with the language "the government or subdivision thereof" stricken out, does not restrict them from using the ordinary methods now employed by the War Finance Corporation to finance exporters.

Mr. STANLEY. Mr. President, I thoroughly understand that. I thoroughly understand that there is no disposition on the part of the Senator from South Carolina or the Senator from Minnesota to deprive tobacco growers of the right and of the opportunity, without reference to this bill, to sell their tobacco. In fact, they could not do it, because they could not pass a law impairing the obligation of contracts.

Mr. SMITH. I meant that the Governments themselves, of France, for instance, and those other Governments which have what are known as Government monopolies, can avail themselves of the credit of this corporation now, with those words stricken out, because the corporation now is taking Government securities as collateral, when indorsed by an American company.

Mr. STANLEY. The Government, through some agent, might go out and secure some sort of collateral in the form of merchantable paper that would do instead of its own obligations.

Mr. SMITH. They are authorized to take the Government obligations if they are indorsed by an American concern. They do it now. But that is if an American concern indorses them. They are still accepting the obligations of foreign Governments where they come through and are safeguarded by an American corporation which indorses them. In order to avoid this Government authorizing blanket trading with foreign Governments, we restrict the corporation itself to dealing with the individuals of foreign Governments, but we allow American individuals here, who will indorse foreign paper, to accept it, and we in turn accept that paper.

Mr. KELLOGG. I want to say another thing, if the Senator will permit me—

Mr. SMITH. Certainly.

Mr. KELLOGG. I wish to say to the Senator from Kentucky that this purchasing of food products and cotton and other products solely by foreign Governments, which quite likely was necessary during the war—we never questioned it, probably could not, but did not—which was extended for a long period after the war, is one of the worst things for the American producer and the American seller that has happened, because the purchasing power was placed in the Governments, and the Governments had one buyer, one interest, that came over here, where we had thousands of sellers, and those purchasing committees of foreign Governments have done more to hammer down the prices of wheat and cotton and other things than any other one thing, and I am glad the foreign Governments have at last abandoned that system.

Mr. McKELLAR. Mr. President, we received higher prices for cotton and wheat at that time than we are getting now.

Mr. KELLOGG. We received them, of course, during the war, when the demand was unlimited, and when we could get almost any price. But after the war, and within the last two years, and especially during the last year, there is not any question, from the information I have received, but that the

purchases by foreign Governments have not been in the interests of the American producer.

Mr. STANLEY. Mr. President, I am entirely inclined to agree with the Senator from Minnesota in this, that the purchase of American produce by a Government rather than by competing individuals is, under ordinary conditions, prejudicial to the American producer, for the reason that competition is practically eliminated by simple understandings between these Governments. But it does not matter, as far as this proposition is concerned, whether these Governments abstain from purchasing the coal or cotton or foodstuffs, or anything of that sort. Those things were handled during the war on account of war conditions. This product is handled at all times, on account of the enormous profit that the Government can make out of the use of a luxury like tobacco. It is just as if this Government, instead of prohibiting the manufacture and sale of alcoholic liquor, had provided that the Government should manufacture and sell all such alcoholic liquor—

Mr. SMITH. As South Carolina tried to do.

Mr. STANLEY. As South Carolina tried to do, and as some people hope she is still doing; and you could take 40 cents worth of grain and make 5 gallons of alcohol, and sell it for \$10 a gallon.

At present you could take a dollar's worth of grain and make 5 gallons of alcohol, and if you had a tax of \$10 a gallon you would get \$50 worth of taxes to \$1 expended.

I have not investigated this question lately, but at one time one-fifth of the French Government's revenue was derived from a tobacco monopoly, and they bought tobacco through combinations with the American Tobacco Co., the Imperial Tobacco Co., of Great Britain, and other contractors, for about 3 cents, and they were making about \$3 a pound off the ultimate consumers. These Governments are bound to have this tobacco if they can raise the money, and they can give every character of security. A simple lien upon the tobacco, or an agreement to pay when the tobacco is turned into revenue, would insure the payment.

I have understood that the purchases of tobacco within the last year by the Italian Government have been limited on account of the necessities of that Government. I would not have tobacco turned over to the Italian Government or the French Government or any other Government upon inadequate security, but a Government can give just as good security as anyone else. There are none of the Balkan States that have a tobacco monopoly or that are going to be considered. Germany is an open market; all the Scandinavian States are open markets; the new Government of Czechoslovakia and other similar States are open markets.

We are not going to have trouble with reference to the tobacco situation, and I hope that upon mature consideration the Senator will leave the door wide open to the most distressed people in this country, with the possible exception of the cotton growers. Until very recently they have had that tobacco left for a year. In a colloquy with the Senator from North Carolina some months ago I found that three-fourths of this export tobacco had not been sold, and four-fifths of all the tobacco raised in western Tennessee and western Kentucky is export tobacco. I have been looking into the matter somewhat, and I believe it will be possible, by offering some encouragement to those Governments, to get them to increase their purchases now of a commodity that they can immediately turn into money.

Mr. KELLOGG. Mr. President, I should like to ask the Senator from Kentucky, if I may be permitted, whether he thinks that with the amount of money Italy owes the United States this Government should extend her additional credit and take her bonds in order to sell them anything?

Mr. STANLEY. Certainly not.

Mr. KELLOGG. That is all they can do. The Government of Italy has bonds and that is all, and we hold those now to the extent of several hundred million dollars.

Mr. STANLEY. I expect the Italian Government through its agents to put into the hands of the proper representatives of this Government adequate security.

Mr. KELLOGG. They can do that now.

Mr. SMITH. The very point I wish to call to the attention of the Senator from Kentucky is that the War Finance Corporation can now, through an American organization, accept the obligation of France if in their judgment it is good collateral. They can do it now.

Mr. STANLEY. They can get some bank to underwrite it.

Mr. SMITH. We have stricken out the word "Government." There might be an exception where the Governments have a monopoly, but they are unquestionably Governments whose

security we do not care to authorize anyone to take just ad libitum to extend their credits. So we provided that in lieu of Governments and subdivisions of Governments, this corporation might treat directly with organizations within those Governments if the collateral in their judgment was good. There is nothing in it that prohibits them from continuing to do as they are now doing, accepting as collateral the obligations of foreign Governments.

Mr. STANLEY. May I put this proposition to the Senator? I talked with the head of the War Finance Corporation, who was in doubt whether it could be done. Suppose the Italian Government needs so many million pounds of tobacco. Three-fourths of that tobacco might be left in this country and one-fourth of it sold now, the rest of it to go out at a certain time, with the understanding that as the tobacco was sold the proceeds should be used in paying the rest of the obligation. There are many ways in which this could be done without advancing money to the foreign Government.

I believe we can secure liens upon the tobacco itself, and upon the obligations based upon the sale of the property that will render us amply secure. I would certainly leave the hands of the War Finance Corporation free in that respect. Nobody expects that the War Finance Corporation, organized as it is, with its predisposition in favor of doing business through the banks, is going to take Government bonds or other securities of that kind as the sole security for a debt, or that it is going to make any advance to that Government for the purpose of facilitating the sale.

Mr. WADSWORTH. Mr. President, will the Senator yield to me just a moment?

Mr. SMITH. Certainly.

Mr. WADSWORTH. My attention was attracted by a suggestion made by the Senator from Kentucky. I believe he suggested that in the event we authorized the War Finance Corporation to deal with foreign Governments and subdivisions of Governments and to make advances to them, we might take as security a lien on the tobacco which they purchased. I wonder if it has occurred to the Senator that that tobacco will have left the United States and will be distributed in Italy, for example, and sold to consumers there. How are we going to collect on a lien against that Government?

Mr. STANLEY. That is exactly what I was speaking about. I called attention to the fact that we could not follow the tobacco into the Italian Government; but those Governments make these purchases, say, of 25,000, 30,000, or 40,000 hogsheads at a time of a certain kind of tobacco. At one time the Italian Government was so anxious to get the tobacco that it gave a bond to purchase it at not less than 12 cents a pound, and the man who made the deal here purchased the tobacco for 3½ cents a pound. If a purchase of 30,000 hogsheads of tobacco were made by the Italian Government and three-fourths of it or four-fifths of it were kept within the jurisdiction of this Government until the greater part or a good part of the money was paid, and we could give them time to pay it, the tobacco in the course of a year could be converted as it was used, and they would not sell more than one-third of the tobacco before we would have our money back.

Mr. WADSWORTH. If they could not sell more than one-third of the tobacco and two-thirds of it were left in this country, where are they going to get the money to pay for all of it?

Mr. STANLEY. Because one-tenth of the tobacco when sold would bring under the Government monopoly enough to pay for the entire raw material. One dollar's worth of tobacco after it is manufactured and sold by a Government monopoly brings ten times or twenty times as much as tobacco does here.

Mr. WADSWORTH. Gross?

Mr. STANLEY. Yes.

Mr. SMITH. I am quite sure that the—

Mr. STANLEY. Right at that point let me interrupt again. What I mean is that they would not risk the loss of the tobacco in the warehouses here, and they would welcome any opportunity for any character of time in the purchase of it whatsoever, so I understand.

Mr. SMITH. Mr. President, I am sure the Senator from Kentucky when he studies the provision thoroughly will see that the proposed amendment is an aid rather than a hindrance to the very object he has in view. But in passing, without comment, I wish to call the Senator's attention to a report of this summary of foreign exports which surprised me very greatly in reference to tobacco.

I happen to be in the very midst of the bright-leaf producing section of the Carolinas, where the market opened on the 19th of July. What are popularly known as sand lugs, the first leaves taken from the stalk and cured in the flue barn, which brought from 8 to 15 or 20 cents a pound a year ago, this year were

thrown away. The producers were informed by the tobacco purchasers that they need not bring that quality of tobacco to market. Seconds brought such a price as to not pay for what they called the stringing, where the tobacco is tied to a little stick and hung up in the barns for curing under artificial heat.

I was informed that one producer right in the heart of this section, who produced perhaps the finest crop that he has ever produced, both in quality of the tobacco and in the matter of the curing, had something like 2,500 pounds which the year previous and the year before that had brought something in the neighborhood of 75 cents to \$1 a pound, but this year he got \$125 for the 2,500 pounds. My home papers are full of protests about the present price of tobacco and the indifference of the purchasers. I have in my desk in my office telegrams now from certain warehouses and auction houses, where the farmers bring their tobacco to have it sold, asking if I can not induce certain great tobacco dealers, such as Liggett & Myers and the Imperial Co., to send their buyers down to help out the distressing situation. I was informed upon investigation that the world has perhaps a two years' stock of tobacco on hand, and that therefore what was purchased would be purchased with that knowledge, and with the further knowledge that it must be carried over, and that the price therefore did not justify them in going into the market.

I picked up this summary of exports to see just to what disastrous depths leaf tobacco or unmanufactured tobacco had fallen by virtue of this alleged surplus on the market. That leaf tobacco is bought by exporters in the warehouses and auction houses in Kentucky just as it is in the Carolinas, I have no doubt. I desire to read these figures.

Unmanufactured tobacco in the leaf, in 1920, a year ago, was exported to the extent of 632,000,000 pounds, in round numbers, for which we received \$271,000,000. Last year we exported 496,000,000 pounds and received \$237,000,000. We got more per pound for the leaf tobacco which we exported up to June 1 of this year than we got for that which was exported in 1920.

Mr. STANLEY. Mr. President, there is a confusion of ideas about tobacco. People generally have the impression that tobacco is like corn or wheat or wool; that leaf tobacco is leaf tobacco.

There is no more relation between the market conditions that control and prevail in the sale of Sumatra leaf and cigar wrapper, in the sale of the light Carolina tobacco that is used for cigarettes and for plug tobacco and white Burley, and the sale of the dark export tobacco than there is between the sale of rye or corn or wheat. One may be high and the other may be low. They are purchased in different markets; they serve a different purpose; and they are governed by entirely different industrial and financial conditions.

The price of Sumatra leaf will depend on the conditions that prevail in Connecticut, where the leaf is grown under cover, and upon conditions in Cuba and Sumatra. The light cigarette tobaccos and the Carolina tobaccos and the Burley tobaccos depend for their price upon the demands of the American Tobacco Co. and upon the local trade. For instance, take the dark, thick, porous leaf that is produced in western Tennessee and western Kentucky, and it is comparatively worthless as a cover for plug tobacco. The minute it is put under pressure it turns perfectly black. It is necessary to use a light Burley or Carolina tobacco for covers.

On the other hand, the same Burley tobacco, which usually brings a much higher price than the Pryor or green wrapper or English strip, would find no market abroad, for the reason that there is an initial duty, or there formerly was, of about 65 cents a pound on all tobacco that went into the King's warehouse, and the tobacco has to go in there with about 12 per cent of moisture. The tobacco which we raise will absorb 50 or 60 per cent of moisture. It is a porous tobacco and will absorb great quantities of licorice and water. The purchasers of such tobacco, after they purchase it, allow it to absorb, in many instances, the maximum of moisture where that matter is not regulated by law. The same power, to absorb moisture affects the value of the regie tobaccos.

The tobacco which the Italian uses, the tobacco which the Austrian uses, the tobacco which the Frenchman uses, and the snuff tobacco are produced in certain sections, and can not be produced in other sections. As articles of commerce they are just as different from the Carolina tobacco as silk is different from wool. The conditions which prevail in one market are not indicative of the conditions that prevail in another market. The price of export tobacco is dependent absolutely upon the foreign market. I have known such tobaccos to sell for 3½ cents a pound when the Burley tobaccos were selling for 8 cents a pound and the Carolina tobacco was selling for 10 or 12 cents.

It may easily happen if the foreign demand should increase that the Pryor, the dark export tobaccos, might bring a handsome price, while the light tobaccos might be a drug on the market, in the event the American Tobacco Co. had more than it needed or pretended that it had more than it needed, for it is the buyer in this country.

Mr. SMITH. Mr. President, I have occupied the floor for a longer time than I had expected. I do not think there is a Member of the Senate but believes there is a possibility of relief to the distressed condition of agriculture in the provisions of the pending bill. I wish to say in closing—and with this I am going to leave the subject and have no more to say until we come to the question of the passage of the measure—that I do not believe that the enlargement of the powers of the War Finance Corporation would have been necessary had it not been for the very unfortunate attitude of those in charge of our Federal reserve system. I believe had they met the situation as the law intended it should be met, had they fully realized the disaster that would come from their unfortunate attitude toward contraction and deflation, had they realized that being on the peak, we had to come down gradually rather than to be precipitated to the foot of the peak, this condition would not have existed. In my opinion, the responsibility originally lies there; but the responsibility also lies with us to remedy the situation as effectually and as soon as we may. I believe that a study of the bulletin which I hold in my hand will convince every Senator of the contention that I have heretofore made, that the manufacturers are in a position where, in any event, they can more or less take care of themselves when there comes a disaster so sweeping and terrible as that which at present confronts the Nation; but as to the farmers, who are practically without resources—with a greater percentage of our population now being urban, not producing, and unfortunately not seeming to care as to the condition of the producer—it is more than ever our duty to see to it that those who support this Government by supplying its food and its clothing shall be our first consideration, and that they shall not be allowed to become the victims of unfortunate conditions. It is for that reason that I am standing here pleading for this additional aid to them. I trust that every Senator on the floor will support the committee substitute.

Mr. TRAMMELL. Mr. President, I desire to offer two amendments to the so-called McNary substitute, and I should like to have them read, printed, and lie on the table.

The PRESIDING OFFICER. The Secretary will read the amendments.

The READING CLERK. On page 3, in line 23, it is proposed to strike out the period after the words "set forth" and insert:

Also for advances made to any producer for the purpose set forth in paragraph (a) upon notes, drafts, bills of exchange, or other instruments of indebtedness secured by chattel mortgages, warehouse receipts, bills of lading, or other instruments in writing conveying or securing marketable title to staple agricultural products, including live stock.

Also, on page 5, in line 22, it is proposed to strike out the words "in exceptional cases."

The PRESIDING OFFICER. The amendments will be printed and lie on the table.

Mr. TRAMMELL addressed the Senate, and after having spoken for three-quarters of an hour said:

Mr. President, it is getting rather late, and if there is a desire to take a recess or adjourn and I can have the floor upon convening to-morrow I shall be glad to yield for that purpose or to have an executive session.

The PRESIDING OFFICER. No guaranty of that sort can be made, the Chair will state to the Senator, but he can undoubtedly obtain the floor to resume his speech upon reassembling to-morrow.

Mr. TRAMMELL. Of course, I realize that no guaranty can be given, but I have observed that in a great many instances Senators have yielded the floor for the purpose of recessing or adjourning and obtained the floor the next morning.

Mr. HEFLIN. Mr. President, I suggest that we recess until 11 o'clock to-morrow, so that we shall have ample time for speeches to-morrow.

Mr. TRAMMELL. I will finish my remarks in 15 or 20 minutes to-morrow.

The PRESIDING OFFICER. Under the agreement yesterday afternoon the Chair asks unanimous consent to lay before the Senate sundry bills and a concurrent resolution from the House of Representatives. Is there objection? The Chair hears none.

HOUSE BILLS REFERRED.

The following bills were severally read twice by title and referred as indicated below:

H. R. 77. An act for the consolidation of forest lands within the Clearwater, St. Joe, and Selway National Forests;

H. R. 244. An act to provide for the disposition of abandoned portions of rights of way granted to railroad companies; and

H. R. 2205. An act to add certain lands on the North Fork of the Shoshone River to the Shoshone National Forest; to the Committee on Public Lands and Surveys.

H. R. 4813. An act changing the period for doing annual assessment work on unpatented mineral claims from the calendar year to the fiscal year beginning July 1 each year; to the Committee on Mines and Mining.

H. R. 6259. An act for the consolidation of forest lands in the Colorado National Forest, Colo., and for other purposes; and

H. R. 6262. An act to add certain lands to Mount McKinley National Park, Alaska; to the Committee on Public Lands and Surveys.

H. R. 6514. An act granting Parramore Post, No. 57, American Legion, permission to construct a memorial building on the Federal site at Abilene, Tex.; to the Committee on Public Buildings and Grounds.

H. R. 7328. An act to authorize the construction of a bridge across the Pend d'Oreille River, Bonner County, Idaho, at the Newport-Priest River Road crossing, Idaho; to the Committee on Commerce.

JOINT COMMISSION OF AGRICULTURAL INQUIRY.

The PRESIDING OFFICER laid before the Senate the following concurrent resolution (H. Con. Res. 26) of the House of Representatives, which was read:

Resolved by the House of Representatives (the Senate concurring). That the time for the completion of the investigation by the Joint Commission of Agricultural Inquiry, created by Senate concurrent resolution No. 4, of the present session, and the filing of the report to Congress therein directed to be made, be, and the same is hereby, extended to a date not later than the first Monday in January, 1922.

Mr. McNARY. I move that the Senate concur in the resolution.

The PRESIDING OFFICER. Does the Senate give its consent to concurring in the resolution just laid before the Senate from the House of Representatives?

Mr. KENYON. Does it require unanimous consent?

Mr. CURTIS. I do not think under the agreement it can be done without unanimous consent. I hope the Senator from Oregon will let it lie on the table until to-morrow.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Oregon?

Mr. KENYON. I object.

The PRESIDING OFFICER. Objection is made, and the concurrent resolution will lie on the table.

RECESS.

Mr. CURTIS. I move that the Senate take a recess until 11 o'clock to-morrow morning.

The motion was agreed to; and (at 5 o'clock and 3 minutes p. m.), the Senate took a recess until to-morrow, Wednesday, August 3, 1921, at 11 o'clock a. m.

HOUSE OF REPRESENTATIVES.

TUESDAY, August 2, 1921.

The House met at 12 o'clock noon and was called to order by the Speaker pro tempore, Mr. TOWNER.

The chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty God, continue to fit us for the world in which we dwell. Redeem our lives from that which is menial and give larger freedom to our best gifts. Quicken us for the labors that await us and make our mornings and our evenings bring to us a satisfaction of work well done. Raise us to a plane where the losses and the crosses of life are exalted and where the beatitude of our Heavenly Father rests upon us. Through Christ. Amen.

THE JOURNAL.

The Journal of the proceedings of yesterday was read.

Mr. BLANTON. Mr. Speaker, I desire to correct the Journal. Roll call No. 107, as disclosed by the Record of yesterday, August 1, 1921, on page 4503, shows—yeas 160, nays 59. On the first column of the next page the Record discloses that the Speaker pro tempore announced that the yeas were 150 and the nays 54. At the top of the next page the Speaker in finally stating the vote stated that the yeas were 159 and the nays 58. By which one of these contradictory assertions is the Journal going? All three of them are different, and the Record and the Journal should state the correct one.

The SPEAKER pro tempore. The gentleman from Texas called a similar instance to the attention of the present occupant of the chair once before. The explanation is that the Chair states viva voce the announcement as given to him at

the time by the clerks. Afterwards in a recapitulation of the vote the clerks sometimes modify that statement. Of course, it is immaterial unless it changes the result. The Chair thinks it is unnecessary to go any further.

Mr. BLANTON. I call the Chair's attention to the fact that in this particular instance the vote ought to be easily ascertained correctly, because the Chair will remember that we waited a long time until Member after Member came in, who separately were added to the count, until we finally succeeded in getting a quorum. Just as soon as we did get a quorum the vote was announced. The correct number voting should be easily ascertained with respect to this vote.

The SPEAKER pro tempore. In this particular instance after the Chair had announced the vote, certain Members appeared and their names were recorded. Without objection the Journal as read will be approved.

There was no objection.

THE PACKERS' BILL—CONFERENCE REPORT.

Mr. HAUGEN. Mr. Speaker, I submit a conference report upon the bill H. R. 6320, to regulate interstate and foreign commerce in live stock, live-stock products, dairy products, poultry, poultry products, and eggs, and for other purposes, for printing under the rules.

Mr. GARRETT of Tennessee. Mr. Speaker, will the gentleman from Iowa yield?

Mr. HAUGEN. Yes.

Mr. GARRETT of Tennessee. Is that a complete report?

Mr. HAUGEN. It is.

Mr. GARRETT of Tennessee. A unanimous report?

Mr. HAUGEN. Yes. It was signed by all except one Senator, who is indisposed.

Mr. GARRETT of Tennessee. Can the gentleman inform the House when it is his purpose to call the matter up for consideration?

Mr. HAUGEN. Whenever it suits the convenience of the House, probably on Thursday.

Mr. GARRETT of Tennessee. Does the House act upon it first, or the Senate?

Mr. HAUGEN. The Senate acts first.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Craven, one of its clerks, announced that the Senate had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6611) to establish in the Treasury Department a veterans' bureau and to improve the facilities and service of such bureau and further to amend and modify the war risk insurance act.

CORRECTION.

Mr. HAYDEN. Mr. Speaker, yesterday the House passed a bill changing the period for doing assessment work on mining claims, being the bill H. R. 4813, the title reading to change the period for doing annual assessment work on unpatented mineral land claims from the calendar year to the fiscal year ending June 30, each year. In the House the bill was amended to make the period begin at noon of July 1, and I ask unanimous consent that the enrolling and engrossing clerk be authorized to amend the title to conform to the text of the bill, the bill not having yet been printed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arizona. [After a pause.] The Chair hears none and it is so ordered.

AMENDING THE FEDERAL FARM LOAN ACT.

Mr. CAMPBELL of Kansas. Mr. Speaker, I submit a privileged report from the Committee on Rules which I send to the desk and ask to have read.

The Clerk read as follows:

House resolution 166.

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of S. 1811, being a bill to amend the Federal farm loan act as amended. There shall be two hours of general debate, to be divided equally between those for and those opposing the bill. At the conclusion of general debate the bill shall be read for amendment under the five-minute rule, whereupon the bill shall be reported to the House with the amendments, if any, and the previous question shall be considered as ordered on the bill and all amendments to final passage, without intervening motions, except one motion to recommit.

Mr. GARRETT of Tennessee. Mr. Speaker, before the gentleman from Kansas begins, will he permit me to ask the gentleman from Iowa [Mr. SWEET] a question?

Mr. CAMPBELL of Kansas. Certainly.

Mr. GARRETT of Tennessee. What has become of the conference report upon the disabled soldiers bill?

Mr. SWEET. It is pending a message from the Senate.

Mr. CAMPBELL of Kansas. Mr. Speaker, the effect of this rule is to bring before the House for consideration the bill reported by the Committee on Banking and Currency, providing that bonds of the farm loan banks and the joint-stock banks may be placed on the market at $5\frac{1}{2}$ per cent instead of 5 per cent, this without increasing the rate of interest to the borrower. The banks are permitted to-day to take 6 per cent from the borrower, and they give 5 per cent to the lender. This bill will effect a 6 per cent loan to the borrower and $5\frac{1}{2}$ per cent to the lender, giving the banks who are the agents between the borrower and the lender one-half of 1 per cent instead of 1 per cent provided in the act as it is.

Mr. GARNER. Mr. Speaker, will the gentleman yield?

Mr. CAMPBELL of Kansas. Yes.

Mr. GARNER. Do I understand the gentleman to say that the bill limits the power of the lender to 6 per cent but authorizes him to issue his bonds at $5\frac{1}{2}$ per cent, while under the present law he is authorized to issue them at 5 per cent and still would limit him to 6 per cent?

Mr. CAMPBELL of Kansas. Yes.

Mr. GARNER. So that the money to the farmer will come to him at the same price it comes now?

Mr. CAMPBELL of Kansas. Exactly.

Mr. KINCHELOE. Mr. Speaker, will the gentleman yield?

Mr. CAMPBELL of Kansas. Yes.

Mr. KINCHELOE. The effect of this amendment and the only effect of it is that instead of giving 1 per cent profit to the banks, it will provide one-half of 1 per cent profit to the banks, and the farmer will not have to pay any more.

Mr. CAMPBELL of Kansas. The farmer will have to pay no more under this amendment than he pays at the present time. Six per cent is the amount fixed in the act to the borrower, and this does not change that provision.

Mr. LINEBERGER. Will the gentleman yield?

Mr. CAMPBELL of Kansas. I will yield.

Mr. LINEBERGER. Is it understood that this half per cent margin will take care of all the overhead expense?

Mr. CAMPBELL of Kansas. With the volume of business now done by these banks one-half of 1 per cent should be more than ample to take care of the expenses.

Mr. TREADWAY. Will the gentleman yield?

Mr. CAMPBELL of Kansas. I yield to the gentleman.

Mr. TREADWAY. What effect is this likely to have on the outstanding bonds? Will it not have the effect of depreciating the value of those in the hands of the holders at the present time?

Mr. CAMPBELL of Kansas. No; it is not thought that that will be the effect of it. The Secretary of the Treasury, in favoring the bill, does not believe that that will be the effect of it. At the present time, if the rate of interest is calculated on the average bonds at their market price to-day, together with the rate of $5\frac{1}{2}$ per cent on these, it will be ascertained this will bring up the average of the farm-loan banks and the joint-stock banks to about the average rate of interest to the holder of the Government bonds that are now outstanding. They sell below par. These bonds are not sold except at par, as I understand the practice of the banks.

Mr. TREADWAY. So the gentleman does not think this will have any effect on the market value of the present outstanding farm-loan bonds?

Mr. CAMPBELL of Kansas. It is not thought it will. The Treasury Department is now putting out certificates at $5\frac{1}{2}$ per cent for three years, and this bill limits the sale of these bonds at $5\frac{1}{2}$ per cent to a two-year period.

Mr. WINGO. Will the gentleman permit a suggestion on that very point?

Mr. CAMPBELL of Kansas. Yes.

Mr. WINGO. These bonds are not out in very large volume. They are very closely held, and for that reason they will not be affected. The United States Treasury holds one hundred and eighty and odd million, and the syndicate that has been taking them holds them very closely; so, as a matter of fact, there is no big supply on the market like other great bond issues.

Mr. TREADWAY. Is not that because they are such desirable bonds? They are exempt from all taxation and carry 5 and 6 per cent interest, and you are trying to raise them a half per cent more to make them still more desirable. I see the report states—

It is strongly represented to your committee that under existing conditions said bonds are not easily marketed.

May I ask if there are any bonds easily marketed to-day?

Mr. CAMPBELL of Kansas. May I state—

Mr. WINGO. I may get some time, and I will try to give my idea of it.

Mr. LAZARO. Will the gentleman yield for a question?

Mr. CAMPBELL of Kansas. Not just now. The condition confronting these banks now is this: They can not market these bonds at all. They can not get money from the lender for the borrower; so it is necessary to raise the rate of interest to the lender in order to get anything for the borrower at all. The borrower gets it at the same rate as though the lender only got 5 per cent instead of 5½ per cent, and the amount of business transacted in these bonds is very inconsequential in comparison with the volume of the outstanding bonds of the Treasury and the certificates that are now being issued by the Treasury, and it will have no appreciable effect at all upon this matter, but will enable these banks to give relief in certain places where it is impossible to float bonds and get money at all. Now I will yield to the gentleman from Louisiana.

Mr. LAZARO. I want to ask the gentleman this question for information: In view of the fact business is unsettled, why not give them authority to fix a rate not higher than 5½ per cent and leave it to those who have these bonds in charge to do the best they can for the Government?

Mr. CAMPBELL of Kansas. This is not a Government transaction.

Mr. LAZARO. I mean for the banks.

Mr. CAMPBELL of Kansas. Those who had the matter in charge thought it wise to bring the matter in in this way. We have dealt within rigid limitations with these banks, and it was not thought proper to give them that leeway.

Mr. TINCHER. Will the gentleman yield?

Mr. CAMPBELL of Kansas. I will.

Mr. TINCHER. The bill does not place any limitation that they shall be 5½ per cent?

Mr. CAMPBELL of Kansas. No; they may be 5 per cent or they may be 5½ per cent, or 4½ per cent, if they can find a market at that price.

Mr. TINCHER. Or they can sell at 4 per cent. Another point I wanted to ask of my colleague. I notice in the gentleman's statement he said the joint-stock banks, and this, of course, applies to the farm loan banks?

Mr. CAMPBELL of Kansas. It applies to both.

Mr. TINCHER. There is no use in trying to give power to the joint-stock banks and not give it to the Federal farm loan banks, because that would be a discrimination.

Mr. CAMPBELL of Kansas. Of course, that is true, but this applies to both the joint-stock and the farm-loan banks.

Mr. KINCHELOE. Will the gentleman yield?

Mr. CAMPBELL of Kansas. I will.

Mr. KINCHELOE. Is it the hope of the committee that in the passage of this bill it will add impetus to farm loan banks so that they may loan to a greater number of farmers and thereby a bigger volume of business be done in that way?

Mr. CAMPBELL of Kansas. It is hoped this may be done. It is true all over the country, as everybody knows, there is much financial distress among the farmers. That is true as to the cotton planter, true as to the stock raiser, and true as to the wheat grower.

They have been subjected to great losses; they have been unable to get money at rates of interest that will not be absolutely ruinous to them even if they had the disposition to pay them. And it is thought that this will afford an avenue of relief that is absolutely necessary in many parts of the country.

Mr. ROSE. Will the gentleman yield?

Mr. CAMPBELL of Kansas. I yield.

Mr. ROSE. What effect would this amendment have upon the sale of municipal or industrial bonds?

Mr. CAMPBELL of Kansas. Oh, no effect at all, because they are so small an amount in comparison with the municipal bonds, and the purchasers upon the market for municipal bonds will not bother about them. This is to apply in an emergency that will afford the relief in certain parts of the country.

Mr. Speaker, I reserve the remainder of my time and yield 15 minutes to the gentleman from North Carolina [Mr. POU].

Mr. POU. Mr. Speaker, the rule should be adopted without division, because amendment to existing law is necessary in order that the farm loan act should carry out the purpose for which it was enacted. A curious condition exists, namely, that while commodities of almost every kind are declining in value interest rates to the farmers have been increasing. I believe it was Lord Coke who said that the ingenuity of man had never devised a way whereby the usury law could be successfully evaded. If that eminent jurist were living in this day and time, he would probably decide to modify that statement, if it were he who made it, because numerous and sundry ways have

been devised whereby the farmer in order to get money must pay more than the legal rate of interest.

Now, Mr. Speaker, so far as the minority on the Rules Committee is concerned, we are heartily in favor of the adoption of this rule and also of the bill.

Now, Mr. Speaker, I believe that one of the chief causes for the high rates of money to the farmer is the high existing rates of income tax, and I hope that the Ways and Means Committee will have the courage to reduce the income-tax rates all down the line. It is not in harmony with the spirit of this Republic of ours to take 60 per cent of any man's income. Such tax rate can only be defended as a war emergency measure—and the war ended nearly three years ago. The result is money has been driven out of its natural channels into investments which are nontaxable. The result is also to kill individual initiative. Even during these hot days of August the country is anxiously awaiting the action by the Ways and Means Committee. Of course, this amendment to the Federal farm loan act is going to help some, but the eye of the country is focused upon the Ways and Means Committee in the hope that something may be done to relieve conditions which are far more distressing than some of us realize. Money is not scarce in America. The per capita amount of money in circulation has not very materially decreased. There is in existence plenty of money for every legitimate purpose, and yet men are leaving the farm because interest rates are so high. In some States men engaged in the great noble occupation of producing food have been driven to desperation, and yet we have just passed through the most prosperous period in the history of this Nation.

Here is opportunity for courageous, speedy action. The taking of so large a part of the income of the citizen during time of peace is near socialistic, to say the least. Let me conclude by saying this: While the Ways and Means Committee is preparing your tax bill, for goodness' sake do not forget to simplify the making out of the income-tax return.

Mr. CAMPBELL of Kansas. Mr. Speaker, I ask for a vote on the resolution.

The SPEAKER pro tempore. The question is on agreeing to the resolution.

The resolution was agreed to.

Mr. McFADDEN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill S. 1811 under the rule.

The SPEAKER pro tempore. The gentleman from Pennsylvania moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the purpose of considering a bill which has been reported.

Mr. GARRETT of Tennessee. Will the gentleman yield pending that motion?

Mr. McFADDEN. Yes.

Mr. GARRETT of Tennessee. May I ask the gentleman from Pennsylvania if he is in favor of or against the bill?

Mr. McFADDEN. I voted against the bill in committee.

Mr. GARRETT of Tennessee. Then the gentleman will take the time in opposition to the bill?

Mr. McFADDEN. I will.

Mr. GARRETT of Tennessee. And the gentleman from Arkansas will be entitled to time in favor of the bill?

Mr. WINGO. I do not know whether or not that is the assurance we have. The agreement we had seems to have fallen down. What is the gentleman's intention in reference to that?

Mr. KING. Will the gentleman yield?

Mr. WINGO. Yes, sir.

Mr. KING. I think, while there was no special arrangement, Mr. Speaker, it was tentatively understood that the chairman should allot the time for and against, although it was the intention on the part of the gentleman from Arkansas and one or two other gentlemen to ask the Rules Committee to modify the rule. I was never asked in regard to that, and it seemed to me it was proper that the chairman could assign the time for and against.

The SPEAKER pro tempore. Is the gentleman from Illinois opposed to the bill?

Mr. KING. No, sir.

Mr. WINGO. Mr. Speaker, if the chairman will permit me, the agreement was that the gentleman from Illinois [Mr. KING] should control one-half of the time and I should control one-half, under the gentleman's agreement we had with the gentleman from Pennsylvania that he would see that those opposed would be given half of the time. That agreement was not presented to the Rules Committee. I am not criticizing anybody—

Mr. McFADDEN. I will say to the gentleman that it was entirely agreeable to the chairman to make that agreement, or some other gentleman may do that.

Mr. WINGO. I am not complaining, but he referred to the agreement, and I should not have raised the question—

Mr. McFADDEN. In view of that I ask unanimous consent that the time be controlled one-half by the gentleman from Illinois [Mr. KING], who is in favor of the bill, and the balance of the time be controlled by some gentleman in opposition to the bill.

Mr. WINGO. That is exactly where the rule is; that is the rule.

Mr. GARRETT of Tennessee. If the gentleman will permit me, I will make a unanimous-consent request. Will the gentleman permit me to make such a request as to control of the time?

Mr. MANN. Mr. Speaker, I ask unanimous consent that debate in favor of the bill be controlled one-half by the gentleman from Illinois [Mr. KING] and one-half by the gentleman from Arkansas [Mr. WINGO], and the time in opposition to the bill be controlled by the gentleman from Pennsylvania [Mr. McFADDEN].

The SPEAKER pro tempore. The gentleman from Illinois [Mr. MANN] asks unanimous consent that the time be divided between the gentleman from Illinois [Mr. KING] and the gentleman from Arkansas [Mr. WINGO], each to control one-half of the time. Is there objection?

Mr. DYER. Mr. Speaker, that is not the request.

Mr. WINGO. Mr. Speaker, reserving the right to object, I do not want to be put in that light. The gentleman from Tennessee will bear me out that he made the suggestion without any suggestion from me. If the original agreement is not carried out, I personally would prefer to stand on the rule. I am not complaining myself.

Mr. MANN. That would give the gentleman from Illinois [Mr. KING] control of the time in favor of the bill and the gentleman from Pennsylvania control of the time in opposition to the bill. It does not seem to me that that is fair to the other side.

Mr. WINGO. The gentleman from Illinois does not understand the agreement, that the gentleman from Illinois [Mr. KING] and I should control half of the time. Under the assurance of the gentleman from Pennsylvania, all that the gentleman from Illinois [Mr. KING] and myself had to do was to see that those who were opposed should be given an equal division of time. In other words, we were going to divide the time on party lines, with the understanding that it should be actually used half for and half against. But I am not insisting upon it. I do not, myself, care at all about it.

The SPEAKER pro tempore. I do not think the Chair stated the unanimous-consent proposal properly, perhaps, as it was stated by the gentleman from Illinois [Mr. MANN]. Will the gentleman from Illinois submit his unanimous-consent request again?

Mr. MANN. That the time in favor of the bill be controlled one half by the gentleman from Illinois [Mr. KING] and the other half by the gentleman from Arkansas [Mr. WINGO], and the time in opposition to the bill be controlled by the gentleman from Pennsylvania [Mr. McFADDEN].

The SPEAKER pro tempore. Is there objection to the unanimous-consent request?

There was no objection.

The SPEAKER pro tempore. The question is on the motion of the gentleman from Pennsylvania that the House resolve itself into Committee of the Whole House on the state of the Union.

The motion was agreed to.

The SPEAKER pro tempore. The gentleman from Indiana [Mr. SANDERS] will please take the Chair.

Thereupon, the House resolved itself into Committee of the Whole House on the state of the Union for the consideration of the bill (S. 1811) to amend the Federal farm loan act, as amended, with Mr. SANDERS of Indiana in the Chair.

The CHAIRMAN. The Committee of the Whole House on the state of the Union has under consideration the Senate bill, which the Clerk will report.

The Clerk read as follows:

Be it enacted, etc., That the first paragraph of section 20 of the Federal farm loan act, as amended, be, and hereby is, amended to read as follows:

"SEC. 20. That bonds provided for in this act shall be issued in denominations of \$40, \$100, \$500, \$1,000, and such larger denominations as the Federal Farm Loan Board may authorize; they shall run for specified minimum and maximum periods, subject to payment and retirement, at the option of the land bank, at any time after the minimum period specified in the bonds, which shall not be longer than 10 years from the date of their issue. They shall have interest coupons attached, payable semiannually, and shall be issued in series of not less than \$50,000, the amount and terms to be fixed by the Federal Farm Loan Board. They shall bear a rate of interest not to exceed 5½ per cent per annum."

With a committee amendment, as follows:

Page 2, line 6, after the word "annum" insert "but no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per cent per annum."

The CHAIRMAN. The gentleman from Illinois [Mr. KING] is recognized.

Mr. KING. Mr. Chairman, I do not desire to take up any great amount of time, not more than four or five minutes, in explaining in a general way the purposes of this bill.

The present section of the farm loan act, which is amended by this bill now under consideration, provides for the issuance of bonds both by the Federal farm loan banks and by the joint-stock land banks. This bill passed the Senate about the 9th of June, with the following amendment:

They shall bear a rate of interest not to exceed 5½ per cent per annum.

The bonds heretofore have been drawing 5 per cent, but it has been found—and it is the statement found in the evidence submitted to the committee—that it is practically an impossibility for these banks, especially the joint-stock land banks, to sell their bonds at 5 per cent.

You will understand that they do a business on a margin of 1 per cent, the difference between 5 per cent and 6 per cent, the amount of interest which they receive from the borrower. These banks are willing, and have stated before the committee and to members of the committee privately that they are willing, to get along on one-half per cent for the good of the country at the present time and for the purpose of assisting in putting agriculture upon its feet and for the further purpose of helping the banks—the small banks, particularly—of the West, the Northwest, and the South and other sections of the country, helping them out of a very embarrassing situation.

The House committee will present an amendment to this bill providing that no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per cent per annum. That shows the temporary character of the legislation, and it is an amendment which was suggested by Mr. Mellon, the Secretary of the Treasury, in connection with the chairman of your committee, and it was adopted by the committee, and, of course, will be presented to the House.

There are two branches of the farm loan system; one of them, the joint-stock land banks, I have just discussed. The other branch of the system consists of 12 Federal land banks and about 4,000 local national farm loan associations. These constitute the cooperative features of the system and up to this time represent the larger activities of the system.

The bill under discussion, while more directly concerning the activities of the joint-stock land banks, may have an important bearing upon the operations of the Federal land banks. The sale of farm loan bonds constitutes the process by which money is obtained with which to make loans to the farmers. The rate which the farm loan bonds bear is an important factor in their sale. The last issue of farm loan bonds bore a 5 per cent rate. These were offered in April of this year in an amount of \$40,000,000 and the entire offering has been absorbed.

Representatives of the Farm Loan Board, in favoring the passage of the pending measure, made it very plain that the passage of the bill was not sought because the board did not believe it possible within the next 60 days to sell a 5 per cent farm loan bond, but favored the passage of the bill upon the ground that bond-market conditions for the past 12 months or more had been so erratic and uncertain as that it was impossible for human intelligence to foresee what the market conditions might be 60 days ahead, and it was to be prepared to meet any undue dullness in the market when the next issue of bonds is offered that the board favored this measure.

The fact that we are increasing the permissive rate these bonds may bear from 5 to 5½ per cent must not be taken to mean that the next issue of bonds will bear the maximum permissive rate, or even a higher rate than is now permitted—that is, 5 per cent. This was clearly and very emphatically brought to the attention of the committee by our former colleague from South Carolina, Mr. Lever, now a member of the Farm Loan Board, who pointed out that a 4½ per cent farm loan bond was sold a few years ago, when conditions were more normal than now, with a 5 per cent permissible existing rate, and that it did not follow that because there was an increase in the rate any future issue of bonds should bear a higher rate than the present permissible rate. He made it very distinct, and others of his colleagues did so, that the rate upon the bonds in the future would be determined by the market conditions at the time of the issue of bonds. Mr. Lever did emphasize, properly I think, that it was the duty of the system to function, especially in these times of agricultural stress, and that to make

sure it would function was the only reason for his advocacy of this measure. In other words, the import of Mr. Lever's statement was that he favored the passage of this bill not because he felt it absolutely necessary to insure the functioning of the Federal land banks, but because he was unwilling to be unprepared to meet the contingencies of an erratic and uncertain bond market.

Now, I do not want to dwell at any great length on the unfortunate position which the farmer and the producer in this country occupy at the present time. Something has happened to the farmer. Something has happened to the value of his crop and of his horses and his cattle. I have an idea—I may be wrong—that I know what it is, but for fear that some one would suggest that I was going to attack the Federal Reserve Board again I will say nothing about it. But there has been a deflation of the farmer's credit and the value of his crop has been reduced, and thousands of banks in the Middle West and banks farther to the West and North and South are to-day holding the notes of farmers that are perfectly good, but they can not realize upon them because the farmer has not the crop upon which he can realize enough money to pay his notes at the bank.

Now, the purpose of this legislation is that if this power is given to the joint-stock land banks they will be able to function and sell to the country at least \$20,000,000 worth of those bonds, which can be in turn loaned to farmers. That will be only a drop in the bucket relatively, but it will do that much to aid the situation.

It has been stated that these bonds, on account of their tax-exemption feature, are sold to rich men for the purpose of dodging taxes, but the fact is that they are sold chiefly to small investors, and the last \$40,000,000 worth of Federal land bank bonds, sold about two months ago, were sold to small investors, making a fine and gilt-edged investment for anyone who has a small amount of money to put away.

There are a number of very distressing cases existing, and if this relief is not granted, so that these banks can operate, you will see, in the next 30 days, a number of banks in the Middle West—I am afraid to say this, but I believe it is true—going to the wall; so that while you are extending this relief to the agricultural interests and making it possible for these banks to function, and making it possible for the farmer to get the money, you are at the same time helping out not only the farmers but the banks.

Now, another thing: The evidence before the committee shows that there are thousands of cases where insurance companies and institutions that have been formerly loaning money upon farm land are failing to renew their loans to the farmers, and the consequence is that the farmer has got to get his money somewhere else. If he can not get his money somewhere else his mortgage is foreclosed and he loses his farm. What does he do? When he can he goes to his neighbors and gets from one and another here and there enough money until he gets \$10,000, or whatever it is. What do his neighbors do? They go to this and that and the other little bank and draw out their savings. The result of that is that it depletes the deposits in the banks, so that the banks are unable to accommodate their regular customers. So the whole thing is all dovetailed together, and by enabling these banks to function and to turn loose this amount of money, I am satisfied it will be one of the best things that Congress can do. I congratulate the Committee on Rules and the Democratic Members and the Republican Members for having cast aside all political advantage for the moment, and for helping to bring this legislation out in the interest of the general good of the country.

Mr. CHALMERS. Will the gentleman yield?

Mr. KING. I yield to the gentleman from Ohio.

Mr. CHALMERS. Do I understand that these are tax-exempt bonds?

Mr. KING. Yes; they are tax-exempt bonds.

Mr. CHALMERS. At 5½ per cent?

Mr. KING. At 5½ per cent; and I am here to say that unless they were tax exempt I doubt if they could be sold at 5½ per cent. The evidence is here before the committee that the farm-loan banks would not have been able to sell their 5 per cent bonds, amounting to \$40,000,000, without that feature.

I reserve the remainder of my time.

The CHAIRMAN (Mr. SANDERS of Indiana). The gentleman from Illinois reserves the remainder of his time.

Mr. McFADDEN. Mr. Chairman and gentlemen of the committee, I voted in the committee in opposition to this measure, because I did not feel that we were justified in increasing the rate of interest on the bonds of a semi-Government institution when the great demand from the country at this time is for a general

lowering of the rates of interest to all borrowers. It would seem to me that in raising the rate of interest on these bonds, which are semi-Government bonds, to 5½ per cent, we are unquestionably pegging the interest rate and helping to continue the present high rate for money to all borrowers.

Mr. STRONG of Kansas. Will the gentleman yield?

Mr. McFADDEN. In a moment. The demand for this legislation was first presented to the committee as coming from the joint-stock land banks. It was not argued in the first instance that we were to raise the rate of interest on all the farm loan bonds, but this was to be for the special help of the joint-stock land banks, their claim being that under the present law they could not sell the bonds which had already been issued. The statement was made—which is a fact to-day—that the joint stock land banks have gone into the market and borrowed on their own obligations, secured by their bonds, principally from banks, some \$13,000,000 or \$14,000,000, they—the joint-stock land banks—finding themselves unable to sell their bonds to the investing public, and having had commitments to the borrowers which they had to fulfill. Now, they are paying a higher rate of interest to these banks than their bonds carry. Therefore they are doing business at a considerable loss, and the banks that are carrying their loans are desirous of having those loans liquidated. That, as I say, was the original argument for this legislation. No member of the committee really understood until quite recently that there was to be a general increase in the rate of interest on all farm loan bonds. I may say to the Members of the House that the Farm Loan Board were not entirely in accord on this proposition. I believe a great many men who are favoring it to-day are favoring it against their better judgment, and there is a serious question in my mind as to the effect that this action if taken may have upon the borrowings of the Government from time to time in the big re-funding operations which must soon take place. We all understand that during the next year the temporary part of the public debt must be refunded. That announcement has been made by the Secretary of the Treasury. It is of interest to the taxpayers of the country that these continuous borrowings on the part of the Government should be made at as low a rate of interest as possible. It is to the interest also of the commercial borrowers, and to the States and municipalities which have occasion to borrow money from time to time, that the interest rates be let down as low as possible.

Mr. GREENE of Vermont. Will the gentleman yield?

Mr. McFADDEN. I yield to the gentleman from Vermont.

Mr. GREENE of Vermont. These bonds are tax-exempt securities, are they not?

Mr. McFADDEN. They are.

Mr. GREENE of Vermont. And it is now proposed to increase the rate of interest on them so as to make them more desirable to purchase, and therefore easier to sell?

Mr. McFADDEN. Yes; that is the purpose of the legislation.

Mr. TINCHER. Will the gentleman yield for a question?

Mr. McFADDEN. I will.

Mr. TINCHER. The farm loan bonds and the joint-stock land bonds bearing 5½ per cent interest, which can not be sold below par, can not be sold in the market in competition with municipal bonds at 5½ per cent that can be sold as low as 90?

Mr. McFADDEN. They can not be sold by the joint-stock land banks, but the market on the joint-stock land bank bonds is only 94 cents on the dollar.

Mr. TINCHER. If the banker could sell these bonds for 5 per cent, he would make 1 per cent.

Mr. McFADDEN. Yes.

Mr. TINCHER. If he sells at 5½ per cent, he only makes one-half of 1 per cent. Now, it stands to reason that he would not sell a 5½ per cent bond except for the fact that other tax-free bonds, such as municipal bonds, are being sold at such a rate that the man who depends on the joint-stock land bank or the farm loan bank can not borrow unless we enable him to raise the rate of interest.

Mr. McFADDEN. That is another reason why we should dispose of the tax-exempt security right. The market on the joint-stock land bank bonds is 92 to-day. If the joint-stock land banks were to sell their \$14,000,000 or \$15,000,000 of bonds which they have on hand already, they would suffer a loss of 8 per cent. If they sold their bonds at 92, the present market quotation, or if they carried them in their financial statements at their present market value, they would show an impairment of capital. So I say, here are these joint-stock land banks which are given the right to make loans in unlimited amounts, practically, some loans having been made as high as \$75,000 on a single farm, and I understand in some instances as high

as \$150,000, and they are permitted to issue semi-Government bonds bearing a special privilege in the way of tax exemption, at a high rate of interest, 5½ per cent.

I think there is a serious question whether or not Congress is at this time justified in giving this additional interest which they are asking for.

Mr. CHALMERS. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. CHALMERS. What is the limit of the issue of these bonds?

Mr. McFADDEN. As to the limit of issuance of the bonds, I tried to get that in committee from the men representing both classes, and I could not get a definite answer as to how much they proposed to issue. Mr. Powell, representing the joint-stock land banks, did inform the committee that the first issue would be \$20,000,000, but there is nothing to limit the amount of bonds that they may issue. I will say further that last January or February a gentleman before our committee, who was conversant with the situation, told the committee that there were demands upon the farm loan system amounting to \$250,000,000 worth of applications for loans from farmers.

Mr. REAVIS. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. REAVIS. The economical and industrial conditions would place a limit on the issue of the bonds which the Nation will absorb.

Mr. McFADDEN. That is correct; there is a limit to the funds for investment in the country, and a demand such as this upon the investment pool will absorb so much capital from the pool that it hinders the operation of other operations, and the consequence is higher interest rates to all borrowers, because they are competitors for money.

Mr. GREENE of Vermont. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. GREENE of Vermont. It is true that there is a limit to capital which may be available for investment of this character, but will not the natural tendency be to go to tax-exempt securities if it can be done, even with a limited amount of capital?

Mr. McFADDEN. Yes.

Mr. GREENE of Vermont. Now comes this new proposition; not only shall they be tax exempt when we are going to tax everything from window glass to automobiles—not only are they tax exempt, but this bill gives them a higher rate of interest.

Mr. McFADDEN. The other day in connection with revenue legislation I appeared before the Ways and Means Committee, and one of the members of the Ways and Means Committee criticized me because our committee was reporting out bills providing for the issuance of tax-exempt securities. I will say what I said to the committee, that an expert appeared before the Ways and Means Committee and said that Col. Green, of New York, who is a son of the famous Hetty Green, the millionaire, was cashing in all of his securities, selling real estate to the extent of \$15,000,000, and putting it into tax-exempt securities for the purpose of evading the payment of taxes. That same situation is true all over the country. It is of particular advantage to the man of large means to invest his money in this class of securities. The time is going to come when Congress must act on that proposition. I believe it is estimated by experienced men that the loss to the Government is between two and three hundred million dollars on account of these tax-exempt securities. It is estimated that there are fourteen or fifteen billion dollars of tax-exempt securities outstanding now.

Mr. REAVIS. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. REAVIS. The gentleman would not advocate taking away from the farm-loan bonds the tax-exempt features and leaving the same privilege open to other securities that enjoy it?

Mr. McFADDEN. No; it would be an unfair discrimination in that respect, but Congress should pass at once House joint resolution 102, which I introduced on May 3, 1921, which would repeal all tax-exemption rights from now on.

Mr. TINCHER. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. TINCHER. Any limitation on the farm-loan security that makes it undesirable, by reason of a limitation that does not exist on municipal bonds, is a discrimination in favor of the municipal bonds. The gentleman would not advocate that?

Mr. McFADDEN. It is unfortunate that the Government, in view of the situation presented, has such a great loss in revenue, and that we still continue to pass laws to increase the issuance of these securities.

Mr. KING. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. KING. The gentleman has stated that there are \$14,000,000,000 of tax-exempt securities in this country. Will the gentleman state what part of those are issued by the United States?

Mr. McFADDEN. As I recollect, about 50 per cent.

Mr. KING. Is it not true that there is only \$2,300,000,000 out of \$10,000,000,000 issued?

Mr. McFADDEN. I believe there is a report from the Treasury that there is \$10,000,000,000, and \$2,300,000,000 are United States bonds. I will say that there is no accurate account, as I understand, of the amount of tax-exempt securities outstanding at the present time.

Mr. STEAGALL. Will the gentleman yield?

Mr. McFADDEN. I will.

Mr. STEAGALL. Is it not true that the tax-exempt securities by which the farmers are directly benefited amount to only four or five hundred million dollars?

Mr. McFADDEN. The gentleman is speaking of the issuance of farm-loan bonds?

Mr. STEAGALL. Yes.

Mr. McFADDEN. The farmers are interested in drainage bonds and municipal bonds issued for public improvement of roads and improvement of county roads; indirectly they are interested in those. The debt is not confined entirely to the cities.

Mr. STEAGALL. In that connection is it not true that the city of New York has four or five billion dollars in tax-exempt bonds?

Mr. McFADDEN. Yes. I presume the gentleman is correct; they have lots of tax-exempt bonds out.

Mr. STEAGALL. Does the gentleman think that the farmer in my district is interested in that? My question is, If the bonds of the joint-stock land banks do amount to only four or five hundred million dollars, is not that true?

Mr. GREENE of Vermont. I would like to ask the gentleman from Alabama a question, with the permission of the gentleman from Pennsylvania.

Mr. McFADDEN. Very well.

Mr. GREENE of Vermont. Is not this true, that it does not make any difference with results what class of securities has been made tax exempt if by that amount they reduce the amount of money that goes to support the Government, so that other classes have to make it up? It seems to me that that is true mathematically as well as logically.

Mr. STEAGALL. That may be very true, but as a matter of fact the whole question of tax exemption discussion has no proper part in connection with the bill now under consideration. There is no proposal here that these banks be not allowed to continue to float tax-exempt bonds. Nobody has proposed any legislation cutting off that right. The way to deal with that evil, if it is an evil, is not in connection with this bill. I object to it from a different standpoint—from that of the gentleman from Vermont [Mr. GREENE]—because there are some fourteen or fifteen billion dollars of tax-exempted securities in this country floated by other interests than the farmers, who have only four or five hundred million dollars. But the way to remedy that is by other legislation than this. It is not proposed in this bill to deal with that question at all.

Mr. GREENE of Vermont. When you get down to brass tacks, while the fact that securities are tax exempt is an admitted evil, the point is that we are still going to put another thing on top of it to make them even more attractive. That certainly brings the first evil into the discussion. It now turns out that the tax-exempt provision was not enough to sell them, and here we must increase the rate of interest. Where are you going to stop? I think that properly brings into issue the first thing, which was to make them tax exempt.

Mr. STEAGALL. This does not arbitrarily raise the interest rate. It simply gives the Federal Farm Loan Board an opportunity to pay more to the investing public, and the loss falls upon the farm loan banks and the joint stock banks and will be taken out of their earnings, because the bill specifically provides that the rates can not be increased to the farmer.

Mr. GREENE of Vermont. The gentleman and I alone, somewhere by ourselves, would agree that it was poor business for the Government to exempt any securities from taxation, and I dare say that the gentleman and I alone would agree to many other phases of the matter altogether in opposition to this general principle. The gentleman now, however, is viewing it from the standpoint that it is special legislation for the farmer, but I have never been able to recognize why the farmer, the blacksmith, the lawyer, the merchant, or anybody else has any special interest in the Government. I thought the Government was for all of us.

Mr. CAMPBELL of Kansas. But why should the banks serve any particular class of people?

Mr. McFADDEN. Mr. Chairman, in answer further I would say that the Undersecretary of the Treasury states that State, county, and minor civil divisions have issued securities which are tax exempt to the amount of \$5,800,000,000, and cities, towns, and villages to the amount of \$1,500,000,000. Gentlemen who have just spoken have touched on the proposition that this bill does not increase the rate of interest to the borrower. This is a limitation as to the amount of interest that can be paid on these bonds. The law provides that the farmer shall be charged not to exceed 6 per cent, and gives the right to the Federal Farm Loan Board to fix the rate of interest on the bonds. If the Farm Loan Board can sell their bonds or the joint-stock land banks can sell their bonds at 4½ per cent, it means that the farmer is going to get his interest at 5½ per cent. There is serious question in my mind, and it was evidenced by the testimony before the committee, as to whether or not this farm loan system can operate on one-half of 1 per cent without a loss. Mr. A. F. Lever, of the Farm Loan Board, the other day in appearing before our committee stated that he did not believe the joint-stock land banks could function without a loss on one-half of 1 per cent. I think these are things that we should take into consideration in passing legislation of this kind.

Mr. DOWELL. Mr. Chairman, is it not a fact that they are claiming that they can operate on one-half of 1 per cent?

Mr. McFADDEN. It was stated before the committee by one of the presidents of the joint-stock land banks that he thought they could temporarily get along on one-half of 1 per cent, but he was not optimistic about it. There is further serious question as to whether or not if they get this right they can then sell these bonds. I have here in my hand a communication from one of the largest financial institutions of the Middle West, in which the writer wrote to me in regard to the matter, and I want to read the letter to the committee at this time. The letter is dated July 14, 1921. This is one of the institutions that I believe carries one of the large loans for the joint-stock land banks and has their bonds as collateral security. The purpose of the inquiry to me was to ascertain whether or not Congress was going to pass this legislation to enable the joint-stock land banks to sell their bonds. This letter is signed by a banker who is well versed in the market conditions and especially in the sale of bonds, particularly this class of bonds.

The letter is as follows:

JULY 14, 1921.

The bill I referred to in my last letter was that which referred to raising the farm loan bond rate from 5 per cent to 5½ per cent. As I understand it, the original farm loan law prohibits the sale of either the farm land bank bonds or joint stock land bank bonds below par. My understanding also is that if the last \$40,000,000 of bonds issued by the Federal land banks were sold and any commission paid for such sale, the law was violated and the bonds in reality sold below par. I understand that the syndicate handling the bonds were paid from some source a commission of one-half of 1 per cent. If that was legal, then any price paid for the selling of bonds at par would be legal for the joint stock land banks, and I take it that the discount which would be required to sell a 5½ per cent coupon joint stock land bank bond would not be as great as a bond bearing a coupon rate of 5 per cent.

Any statement that is made by proponents of this bill to the effect that it would increase the loanable funds to the farmer through joint stock land bank operations is making, in my judgment, one of pure bunk. The purport of all efforts to raise the coupon rate to 5½ per cent is to facilitate the sale of bonds now on hand in the portfolios of the joint stock land banks and any joint stock land bank that would make a statement that they could continue business selling a coupon 5½ per cent bond at par and loan at a limitation of 6 per cent to the borrower and pay out of the difference from 1 per cent to 1½ per cent for production purposes, ought to have his sanity questioned, because if he believes he can do it, he is certainly crazy. I am of the opinion that a 5½ per cent coupon rate will not sell the joint stock land bank bonds at par in this market or any near future market.

I refer back to my statement that if it was legal to sell Federal land bank bonds below par or at 99½ per cent, upon the same logic it would be legal for joint stock land banks to sell their bonds at a discount which would be very much less if the bonds were on a 5½ per cent coupon basis than would be if they were on a 5 per cent basis. To that extent, it would help the joint stock land banks materially if the 5½ per cent bond rate were established for a sufficient time to enable the joint stock land banks to accomplish their purposes, which, believe me, is simply to get rid of the bonds they have on hand at the present time and not with any intention of creating new mortgages and new bonds for distribution.

Very truly, yours,

Mr. DOWELL. By whom is the document signed?

Mr. McFADDEN. The letter is from the Merchants' Loan & Trust Co., of Chicago, and it is signed by Mr. F. W. Thompson, the vice president.

Mr. Chairman, I reserve the remainder of my time.

Mr. KING. Mr. Chairman, I yield five minutes to the gentleman from Minnesota [Mr. CLAGUE].

Mr. McFADDEN. Mr. Chairman, I yield the gentleman five minutes.

Mr. CLAGUE. Mr. Chairman, there are 23 joint-stock land banks in the United States. Those banks have already loaned

about \$75,000,000. The Federal land banks have at this time altogether loaned \$374,000,000, making a total of \$450,000,000 that have been loaned by the Federal land bank system. It is true that the bonds issued by these land banks are tax exempt, but there has been at this time issued altogether, as near as I can get from statistics—and I called up the Federal reserve bank and the Federal land bank—from sixteen to twenty billion dollars tax-exempt securities. Therefore of the tax-exempt securities issued only \$450,000,000, or one thirty-second part of the total of exempt securities, are farm mortgages. The State of New York alone has issued over a billion dollars of tax-exempt securities for municipal purposes. The city alone has issued nearly a billion dollars. The State of Pennsylvania has issued the same. This being true, why should we hear all this cry about a few millions of dollars which have been issued on farm mortgages?

I want to say that in principle I am opposed to the tax-exemption feature. We have got this at this time. These joint-stock land banks were created some four or five years ago. At present they can not function. This bill was really introduced at the request of the joint-stock land banks, and I want to say at this time the Federal Land Bank Board has been very fair about this bill. Mr. Lever, who served in this House many years, came before our committee and stated that at this time this bill should pass, that the joint-stock land banks at this time are unable to sell their bonds at 5 per cent, that if the rate is put up to 5½ per cent they can be sold and the banks function. But no bank selling bonds at a discount can sell them as well as if selling at par. If these bonds can be offered for sale at a fair rate of interest, it is thought by the joint-stock land banks that they can sell their bonds, and I believe they can at a rate of 5½ per cent. Now, the Federal farm land bonds are Government bonds in a way. They can be sold a little cheaper than those of the joint-stock land banks. We have in the United States 12 Federal farm land banks. They have issued about \$374,000,000 of bonds, and they are going to issue within 60 days a new quota of bonds, possibly of \$30,000,000 or \$40,000,000 more. Whether they can sell them at 5 per cent is a question, and if they can not this bill will give them the privilege of selling up to a 5½ rate. The Federal farm law provides that no farmer can be charged a rate exceeding 6 per cent for his farm loan, and the law provides that the bonds can not be sold at a rate exceeding 5 per cent. Now, by raising this rate of interest it is believed that there can be some twenty or thirty millions of dollars of bonds sold at once. Somebody said, How many bonds are going to be sold? We do not know how much the market will absorb. No man can tell. The Federal farm land banks put out \$40,000,000 and it took nearly three months to sell them at 5 per cent, and possibly they would have to raise the rate a little at this time, but no one knows. If they can sell at 5 per cent, they are going to do it. Now, my friends, this is a time when the farmers have never been so hard pressed in the world to get money. This bill is approved by the Secretary of the Treasury, by the Federal Reserve Board, and by the Federal Land Bank Board.

Mr. DUNBAR. Will the gentleman yield?

Mr. CLAGUE. Yes, sir.

Mr. DUNBAR. Why does the gentleman state that one of the reasons it should pass is because it is recommended by the Secretary of the Treasury?

Mr. CLAGUE. The Secretary of the Treasury possibly knows the financial condition of this country as well as any other man in this country.

Mr. DUNBAR. I will state the Secretary of the Treasury a few weeks before the expiration of the fiscal year made an estimate—

Mr. CLAGUE. I can not yield further unless I have more time. Mr. John R. Mitchell, a member of the Federal Reserve Board, a man who personally knows the financial conditions, came before the Banking and Currency Committee and recommended this bill. This bill needs to be passed in order to take care of the farmers at the present time. In the Northwest, and particularly in Iowa and northern Illinois, Wisconsin, and Minnesota, the farm mortgages are being foreclosed at a rate absolutely unprecedented. More of them have been foreclosed, I dare say, than has taken place within the last 25 years. I know of my own knowledge that exorbitant rates are being charged by many of these loaning companies. I know farm mortgage companies have been and are now doing everything they can to defeat this particular bill, because they are receiving exorbitant interest and securing big commissions. I know of one particular instance, an instance that was brought to the attention of the committee, relating to a farm mortgage in my county owned by a large insurance company. One of

our best farmers wanted a note for \$360 extended for 60 or 90 days, and that insurance company asked him \$560 for granting him that extension of 90 days. That is what is being done throughout this country; banks are charging 2, 3, 4, 5, and as high as 15 per cent as commissions. I do not claim that this bill will bring about the millennium, but it will do something, my friends. If these joint stock banks can sell their bonds and be allowed to properly function, it will do something to help the financial conditions at this time, and the farmers need it as they never needed it before. The tax-exemption feature has grown to be a very large question. Now is the wrong time to shut the same off. The farmer needs help at this time. His products are selling for less than they cost. Corn which a year and a half ago was selling for \$1.60 and \$1.80 a bushel is now down to 32 and 33 cents a bushel. Oats which were selling at 75 cents are down to 23 cents a bushel, and the machinery that the farmer has got to buy is as high as during war time. Manufactured products have not come down, and the farmer is entitled, if there ever was a time, to something at your hands. [Applause.]

The CHAIRMAN. The gentleman from Minnesota yields back two minutes.

Mr. WINGO. Mr. Chairman, I yield to the gentleman from Georgia [Mr. LANKFORD] such time as he desires.

Mr. LANKFORD. Mr. Chairman, the greatest question before the Congress to-day is how to relieve the present financial depression. Many remedies have been suggested. Some say this and some say that will help the situation. Some say tax revision. Some say help export corporations. Some said emergency tariff; some said Porter peace resolution; and yet, Mr. Chairman, I am not sure any of these have or will help the situation of the common people. I fear we have done more damage than good thus far.

The farmers of all sections, and especially of the South, are in an awful condition financially, and I fear worse is yet to come. I pray to God that we may help them, and that speedily. I have supported and will support every measure which to my mind is in their favor.

I introduced yesterday a bill which I honestly believe will mean the financial salvation of the farmers of the Nation if it is enacted into law. The bill is as follows:

A bill to amend the War Finance Corporation act as amended, and for other purposes.

Be it enacted, etc., That the War Finance Corporation act as amended is further amended by adding at the end thereof a new section to read as follows:

"Sec. 22. (a) The corporation is authorized and directed to purchase from banks, either national or State, farmers' notes maturing within three years from the passage of this act and secured by either first or second trust deeds or liens against real estate owned by farmers or secured by indorsement.

"There shall not be purchased and held by said corporation at any one time more than \$500,000,000 worth of such notes, but said corporation is authorized to resell, from time to time, any amount or all of such notes so held by the corporation and reinvest in similar notes the funds obtained from the sale.

"(b) Whenever in the opinion of the board of directors of the corporation market conditions justify, any such notes acquired under this section may from time to time be sold, marketed, or disposed of by the corporation at not less than the original cost thereof to the corporation.

"(c) That the corporation shall not demand nor collect interest at a rate greater than 4 per cent per annum on the notes purchased under this act, regardless of the rate specified in the notes, if the corporation demands and secures the indorsement of said notes or the guaranty of the payment of the said notes by the bank or its directors. In no event shall either the bank selling said notes nor the corporation demand or collect more than 6 per cent per annum as interest on said notes regardless of the rate specified in said notes. The corporation may collect 6 per cent per annum as interest if it buys them without guaranty or indorsement and the selling bank may collect 2 per cent per annum for guaranty or indorsement if it sells them under guaranty or with an indorsement of the bank.

"(d) That the corporation in purchasing the notes authorized to be bought in this paragraph shall give special preference to and shall buy notes from banks handling the notes of farmers living in those sections of the Nation which have suffered most and are now suffering most severely as a result of the recent great decline in the price of farm products.

"(e) The corporation may employ for the purpose of this section such agents or agencies as it deems necessary."

We have loaned billions of dollars to the foreign nations of Europe. Why not loan some to our people at home? The President suggests that \$500,000,000 be loaned to the railroads, and some of the Senators urge that millions now be loaned to Russia. Why not loan \$500,000,000 on farmers' paper here at home?

The farmers produced to their fullest capacity during the war to furnish food for all. They loaned money to the Government in its time of need by buying Liberty bonds and gave their sons to die for this Nation. Why not help them in their time of dire distress? I honestly believe the Government could better afford to give to the farmers the \$500,000,000 as a present

in order to relieve them rather than make some other appropriations which have been made since I came to Congress.

But it is not asked that the money be given; it is urged that it be loaned on safe paper. How will the law operate, if enacted? The country banks can sell their notes of farmers and thus make the bank's burden lighter and enable the bank to help others that the bank can not help now. The farmer can get his money for three years at a low rate of interest, and will not have to worry about renewals every 90 days.

As soon as the bill is passed the banks can let farmers doing business renew old paper for three years or less and can make new loans and can get the money for the farmers without so much red tape. Farmers whose farms are already in a loan company can get a small emergency loan on a second paper or a good indorsement. This will put millions of dollars in the hands of the farmers at once. The farmers can then pay those they owe. The money will at once flow into the hands of retail merchants, the farmers' supply man, the man who sells mules, the retail grocery man, the wholesale man, and in fact everybody will feel the good effect. The doctor, the teacher, and all humanity will be helped. The local banks will receive better deposits. They will be able to pay the amounts due by them to larger banks. The big banks will make settlement with the regional banks and thus the money that goes from the Government will return after having saved a distressed but most deserving people. [Applause.]

This is not a donation; it is only a loan, every dollar of which will be repaid with interest.

Mr. Chairman, our Nation owes its all to the farmers. They made and saved our country. They have never refused their country's call in the hour of her need and we can not afford to fail them now.

I beg of you, do not let them plead longer for help, without response. [Applause.]

Mr. WINGO. Mr. Chairman, I yield five minutes to myself. Mr. Chairman and gentlemen of the committee, I am compelled if I am candid with the committee to say that I was not at first for the bill. I opposed this bill for a good many months for reasons which I thought were sound, and my consent to report the bill was only obtained reluctantly, and I am going to be, as I try to be always in discussing matters, candid with the House.

I shall vote for the bill, and I think it ought to pass. But I think those who believe it will help the farmer materially will be badly deceived. The bill ought to be entitled "A bill for the relief of the New England investor." One gentleman from New England practically said that he was for it for that reason. I opposed the bill for a good many months. We sat on the lid and said that we did not think it was wise, and I finally yielded reluctantly, while the gentleman from Pennsylvania [Mr. McFADDEN] stood hitched and never did yield. I am not going to criticize him, because I can appreciate his position. Certain reasons and facts made me withdraw opposition to the bill, and I think we ought to pass it notwithstanding the fact it is not going to do any great good to the farmer. Whenever a man undertakes to contend that whenever Government bonds are issued or any tax-exempt security put out by governmental control agencies that the interest rate on that security does not for the time being peg the basic interest rate in the country he exposes his ignorance or does not care anything about fact. I think we all recognize now that the Government rate paid on Government securities pegs the interest rate for the time being. I was one of those who hoped the situation in the country would be such that the interest rate could be gradually pressed down to a level that would be recognized by the general investing public as a stable level, because until credits, as well as other prices—and the price of credit enters into and affects our economic and financial conditions just the same as the price of commodities—and until there is a stable price level both for commodities and for credit naturally there is going to be a halting of business. But whenever those who have funds to invest come to the conclusion, or a large number of them come to the conclusion, that a stable price level has been reached both in the credit and commodity markets, then you can expect a resumption of economic activity in this country, and not before. I think that is fundamental and axiomatic.

I had hoped we could press down the price of credit in the credit market of this country gradually. And I was very much astonished when the Secretary of the Treasury put out the 5½ per cent certificates. Of course that is his judgment, and of course his judgment is better than mine, but the majority of investment bankers I have talked to thought he made a mistake. You saw the effect it had on the bond market the next day. I believe he could have gone to the bankers of this

country and said, "I want \$3,000,000,000 of one or two year certificates at 5 per cent," and he could have gotten it. The leading bankers have come to the conclusion that what is the basic flat rate is what the Government is going to base its operations on. I thought the Secretary of the Treasury was going to get down to a 5 or 5½ rate—

The CHAIRMAN. The time of the gentleman has expired.

Mr. WINGO. Mr. Chairman, I yield to myself five additional minutes. The fact that the Secretary issued these 5½ per cent certificates was one thing that induced me to withdraw my opposition to this bill. I know of a man who wanted \$10,000 of these farm loans, but when the Secretary of the Treasury put out those 5½ three-year certificates he thought he would rather invest in them. It is demoralizing. Do not misunderstand me. It may be the Secretary of the Treasury may be right. But what has happened? The interest rate was "pegged" at a higher rate than necessary, but it made it impossible for the joint-stock banks to put out less than 5½ per cent bonds. Fortunately the subscriptions to the Treasury certificates were oversubscribed, and the Secretary of the Treasury will be able in the future to make arrangements by which I hope the interest will get down to a 5 per cent basis. The Federal land banks, I do not think, will have to increase the rate. The joint-stock banks will. I have always opposed joint-stock banks. They are a hybrid. They do not believe in this system. The system will never be a success until we get rid of the joint-stock banks. But you have them. This is not a good time to clean up, because the farmer needs every agency he can get at this time. These joint-stock banks are going to the commercial banks and are paying 6 per cent and putting up their bonds as collateral. Of course they can not exist under that condition. They are losing money. They convinced the farmers' organizations throughout the country that they would float their bonds at 5½ per cent. I fear they can not do it to a very great extent. I believe the farm loan banks can be able to float the small amount they are going to put out.

Unfortunately, you have been arbitrarily limited to them to \$200,000,000 business a year. They can not meet one-tenth of the demand now. I do not believe the farm loan bank will ever function until you can give them an independent working capital, so as to be free of the bond syndicate. I had not intended to say anything about that, but I have mentioned it, and I am going to talk about something that nobody has mentioned on this floor before. This all goes back to the proposition that Mr. Norris, the first commissioner, made an improvident contract to float the first issue through a bond syndicate. I think it was an evasion of the law. I think they were selling the bonds at a discount. Of course, the syndicate went to the expense of advertising, and if the board had undertaken to do that it would have cost them more than the discount they paid is the defense that is offered.

Mr. McFADDEN. Does not the gentleman feel that because of the contractual arrangements with these banks the board is at a disadvantage in the sale of these securities?

Mr. WINGO. I am going to come to that.

Mr. McFADDEN. And does not the gentleman feel that the passage of this law gives the bankers that grasp on the Federal Farm Loan Board?

Mr. WINGO. No. The Secretary of the Treasury at that time was not an expert as to bond issues. But this man was supposed to be an expert, and he was put on the commission for that purpose. Fortunately he is now out of the system. The present Secretary of the Treasury, appearing before our committee, approves this arrangement and this bond syndicate. He says it is proper, but the situation is such that whenever this Farm Loan Board undertakes to go out and sell its bonds in the open market they are met with the direct threat of this syndicate that "if you do, we will dump our holdings on the market and break the market for you."

How are you going to get free of that syndicate? You will never do it, gentlemen, until those banks are given a working turnover capital that will make them independent, so that they can accumulate mortgages between the bond-issuing periods, because they can not take mortgages unless they have cash and they can not issue bonds unless they have mortgages or Government bonds to secure them.

I predict that it will yet have to come, and I think it is the quickest way to relieve the Treasury of the \$180,000,000 bonds, not to take several bites at this cherry, but to give them at one time sufficient capital, and then I believe they can sell their bonds at 5 per cent, free from the syndicate. I do not believe they will ever be able to do it freely unless they get an ample working capital.

Now, the question comes up as to what effect it will have on these other bonds outstanding. These bonds are not generally

held. Gentlemen stand up here and say the market price is 94. I will furnish you men who will guarantee that \$100,000,000 at 94 will all be taken at once if anybody tries to get rid of them. I refer to the 5 per cent 10-year option issue. Why is there not a general market on these bonds? Because these bonds are either held by the United States Treasury or by this syndicate or by investors who hold on to them, no matter what the market is. The last issue to-day is quoted at par and 101. But the volume not being large and not held for general distribution, this bill will not affect the price.

Now, will it affect the price of other credit of municipalities trying to put out its bonds? Will they be affected? Remember that the Secretary of the Treasury has already raised the interest rate on Government securities, pegging the basic rate at 5½, so that 5½ bonds will not affect the market. It will enable these joint-stock land banks to match the market price of the Treasury, the basic rate.

Now, if you will read the hearings you will notice that Mr. Lever intimated that he believed they could float them at 5 per cent.

Mr. McFADDEN. Mr. Chairman, will the gentleman yield?

Mr. WINGO. Yes.

Mr. McFADDEN. The statement I made about the market at 94 was governed by quotations and the statement made by the chairman of the joint-stock land bank.

Mr. WINGO. That may be so about the joint-stock land bank securities. I was talking about Federal farm loan bank securities. Some people do not know the difference between them, but take a man who knows the difference, and you are not going to get those held by the Federal land banks at 94 in the market now. I will bet you can not get them at 100 cents on the dollar.

Mr. Chairman, I reserve the balance of my time.

The CHAIRMAN. The gentleman from Arkansas reserves the balance of his time.

Mr. McFADDEN. Mr. Chairman, I yield 10 minutes to the gentleman from Indiana [Mr. DUNBAR].

The CHAIRMAN. The gentleman from Indiana is recognized for 10 minutes.

Mr. DUNBAR. Mr. Chairman and gentlemen of the committee, to some extent I agree with what the gentleman from Arkansas [Mr. Wingo] has said regarding the bonds of the Federal farm loan banks and the joint-stock land banks. I am not one of those, however, who agree with the author of this bill that because the Secretary of the Treasury has recommended that the Federal farm loan banks and the joint-stock land banks be privileged to sell bonds at 5½ per cent interest Congress should grant them this privilege. Unless the Secretary of the Treasury can give some good specific reason why we should permit the Federal farm loan banks and joint-stock land banks to sell bonds at 5½ per cent interest, I see no reason why Congress should blindly follow his advice.

The great problem of the day, it seems to me, which affects our financial condition more than any other, is the collection of the debts due us by foreign Governments. It has not been over six weeks since the Secretary of the Treasury paid to England \$32,000,000. I say he paid that amount of money, but it was practically a gift to Great Britain by the Government of the United States from the Public Treasury. It is true we owed Great Britain \$32,000,000 for transporting our troops across the waters during the late war, but Great Britain owes us \$4,000,000,000 which we loaned her, and she owes us \$500,000,000 of interest; and I say that the Secretary of the Treasury had no right to pay Great Britain \$32,000,000 when Great Britain owed us \$4,500,000,000, and because in the last few months he has virtually given Great Britain \$32,000,000, I am not one of those who are disposed blindly to take his advice, follow his lead, and vote for 5½ per cent interest on these proposed joint-stock land bank bonds. I do not take this stand because I am prejudiced against Great Britain, for I am not. England in past centuries has done more to civilize the people of the world than any other power, but all nations should be made to realize their financial obligation to us and proceed to make arrangements to pay.

Now, gentlemen, if I believed that the issuing of these bonds would do the farmer any great amount of good I would almost be willing, notwithstanding my conviction might oppose it, to vote for the issuing of these bonds at 5½ per cent. But, gentlemen, the Federal farm loan banks sold within the last two months \$40,000,000 of bonds at 5 per cent interest, and interest rates are being reduced, not increased. This whole question arose, as the gentleman from Arkansas [Mr. Wingo] has stated, because it originated in the joint-stock land banks.

I am one of those who believe with him that the joint-stock land banks have no place in the financial economic relationship with the farmers of the country. A joint-stock land bank is

permitted to issue a tax-exempt security. Now, what is a joint-stock land bank? Ten or a dozen men, who may or may not be farmers, may get together and organize a bank and they will advertise that they have Government tax-exempt bonds to sell for $5\frac{1}{2}$ per cent interest. They may sell their bonds and not one farmer may realize a single cent in the way of loans which are permitted to be made as a result of the sale of those bonds. But in the Federal farm loan bank system it is somewhat different, because all of those banks are united under one governing head, and any loss sustained in one of them is shared by the others, while any profits made by one are shared by all. But in the joint-stock land bank system a bank may fail and the other banks are not responsible for the failure. Then, there would be the stigma of bonds having been sold that might be worthless and that people have purchased thinking there was a Government guaranty of payment behind them as well as a Government exemption from taxes. I say that the public are misled when a joint-stock land bank bond is bought with a Government exemption, because the Government is in no way responsible for the payment of the bond and because the money received from the sale of it may be diverted to purposes other than aiding the farmers, for whose benefit the bank is supposed to have been organized. I think the joint-stock land banks ought to be put out of existence and that the Federal farm loan banks should function in their place, and I believe the Federal farm loan banks should be given a greater opportunity to be of greater use and of greater benefit, perhaps along the lines suggested by the gentleman from Arkansas [Mr. Wingo] or perhaps on some modified plan. I do not believe that the joint-stock land banks have any place in our economic system, and I believe they should go out of existence. There never would have been any request made for a $5\frac{1}{2}$ per cent bond if it had not come from the joint-stock land banks. It did not come from the Federal farm loan banks.

Mr. STRONG of Kansas. Will the gentleman yield?

Mr. DUNBAR. I will.

Mr. STRONG of Kansas. Members of the Farm Loan Board appeared before our committee and stated that while they had sold \$40,000,000 of 5 per cent bonds, they started with \$18,000,000 pledged, and they were several weeks in getting the issue sold, and they said they did not believe they could float another issue unless they were permitted to raise the rate of interest. Three members of the board came before our committee and urged the passage of this bill. Is not that so?

Mr. DUNBAR. That is true, but I think they were actuated by the fact that the joint-stock land banks had requested the right to issue bonds at $5\frac{1}{2}$ per cent interest, and the Farm Loan Board lent their moral aid to the joint-stock land banks in that way. When the Federal farm loan bank sold those bonds and when the Secretary of the Treasury agreed to pay $5\frac{1}{2}$ per cent on Treasury certificates, money commanded 1 per cent higher interest rate than to-day. Sixty and 90 day time money in New York is now obtainable at $5\frac{1}{2}$ per cent and 6 per cent interest; "call money" at $4\frac{1}{2}$ per cent. I fail to see the necessity to authorize increased rate to be paid by joint-stock land banks for bonds to be sold.

Mr. KING. I yield five minutes to the gentleman from New Jersey [Mr. APPLEBY].

Mr. APPLEBY. Mr. Chairman, being a member of the Committee on Banking and Currency, I have learned something from first-hand testimony about agricultural conditions in the West and South. My first impression was to oppose this bill, but when you come to analyze the proposition it is not one of voting money, simply a question of granting an increase in the rates of interest on farm loan bank bonds. Consequently, after due consideration, it seems to me that these banks should be allowed to increase the rate of interest on those bonds which they are offering to investors. The amount asked for is but one-half of 1 per cent. This seems fair inasmuch as the Liberty loan bonds of the first issue were $3\frac{1}{2}$ per cent bonds, and the rate was gradually increased until the Victory bonds were sold at $4\frac{1}{2}$ cents. These transactions show clearly that the question of supply and demand of money largely fixes the rate of interest. Recently the Secretary of the Treasury has offered Government certificates of indebtedness at a rate of $5\frac{1}{2}$ cents, the length of time of these certificates are about the same as the proposed farm loan bonds. Both are tax exempt.

Another case in point of increasing rates of interest took place here in Washington less than two years ago, when the banks of the District of Columbia were allowed by Congress to increase their rates of interest from 6 per cent to 8 per cent on promissory notes for discount. Consequently, the old saying of "supply and demand," after all, largely fix the rates of money as well as other commodities. The further fact was brought out in the testimony given before our committee of

the many mortgages taken by the farm loan banks and placed on record. The banks not being able to market these bonds, largely on account of other nontaxable securities being offered at a higher rate of interest, and the money on these mortgages has not yet been advanced to the makers of the same. Consequently, it would be good business for us to get behind this interest proposition by raising the rates and making these bonds salable. It has been said that the agriculturalists of the country are asking favors of Congress. I do not think so. I hope I am disinterested in this matter. It looks to me what we need in Congress at this time is more optimism as to the business future, and a good deal less of pessimism. We want to help start the wheels of agriculture, manufacture, commerce and transportation, and adjust ourselves to the new conditions which confront us. It appears to me that to-day is a mighty good time to begin by voting for this measure. [Applause.] I thank you, gentlemen, and I yield back the remainder of my time.

The CHAIRMAN. The gentleman yields back one minute.

Mr. KING. Mr. Chairman, I yield to the gentleman from Wisconsin [Mr. A. P. NELSON] five minutes.

Mr. McFADDEN. I also yield to the gentleman five minutes.

The CHAIRMAN. The gentleman from Wisconsin is recognized for 10 minutes.

Mr. A. P. NELSON. Mr. Chairman and gentlemen of the committee, I am in favor of the passage of the pending bill increasing the rate of interest from 5 per cent to $5\frac{1}{2}$ per cent on Federal land bank and joint-stock land bank bonds, because of the fact that under the present conditions we are face to face with an emergency that must be met. We must make the Federal land banks and the joint-stock land banks function to their maximum capacity and place as much money as possible at the disposal of the farmers of our country who are in dire need of financial help in renewing old loans now being foreclosed and in making new loans for the payment of obligations which to-day are in the form of frozen credits in our local country banks.

This bill, S. 1811, was amended in the Committee on Banking and Currency of the House by adding the provision that the increase of one-half of 1 per cent shall only continue to June 30, 1923, when the rate of interest automatically goes back again to 5 per cent. It is therefore strictly in the nature of emergency legislation and will only continue for the next two years. It is hoped that within the next two years our financial condition will be such that bonds of this character will sell readily and freely at 5 per cent.

If the money market should change so as to make money rates easier, the Federal Farm Loan Board, of course, would sell these bonds at a lower rate than the limit placed in this legislation. Indeed, large blocks of these bonds were sold at $4\frac{1}{2}$ per cent in the early period of these banks, although the possible rate was 5 per cent. Hence it is barely possible that even with the limit of the rate of interest fixed at $5\frac{1}{2}$ per cent during the emergency period to June 30, 1923, financial conditions might become such that these bonds would sell easily at 5 per cent, in which event, of course, the Federal land banks and the joint-stock land banks would not think of selling the bonds for more than 5 per cent or $5\frac{1}{2}$ per cent, or whatever rate of interest the market would demand.

I especially wish to emphasize here the fact that the raising of the rate of interest on these bonds from 5 per cent to $5\frac{1}{2}$ per cent is not increasing the rate of interest to the farmer or borrower, which still remains at the maximum fixed rate of 6 per cent. In other words, the raising of the rate of interest on the bonds does not raise the rate of interest to the borrower or the farmer. The loss in the difference of the bond rates will be sustained by the Federal land banks and the joint-stock land banks and not by the farmer or the borrower.

The recent bond sale of \$40,000,000 by the Federal land banks demonstrated that the sale of these bonds at 5 per cent was very slow, and that it is very probable that in making the next bond sale the Federal land banks may have to raise the interest to $5\frac{1}{2}$ per cent in order to effect a reasonably sure and quick sale of the bonds issued. It is to be noted, however, that neither the Federal land banks nor the joint-stock land banks will sell these bonds at $5\frac{1}{2}$ per cent if the market will absorb them at 5 or $5\frac{1}{2}$ per cent. The main reason for this legislation is to make it possible for these banks to function under the present abnormal financial conditions which exist in our country to-day, and to enable them to meet the market conditions, whether that be 5, $5\frac{1}{2}$, or $5\frac{3}{4}$ per cent.

I desire to call the attention of the committee to the fact that this bill is recommended for passage by the Secretary of the Treasury, Hon. A. W. Mellon, and has been approved by the Committee on Banking and Currency of the Senate, and was

passed by that body. It also has the unanimous approval of the Federal Farm Loan Board, and in the hearings you will find that three members of that bureau, Hon. A. F. Lever, Hon. H. W. Joyce, and Capt. W. S. A. Smith came before the committee and strongly urged the passage of this bill, and that Hon. C. E. Lobdell, farm loan commissioner, in a letter to the chairman of the committee, joined his colleagues in stating that it would be wise to pass this bill. Hon. John R. Mitchell, a member of the Federal Reserve Board, was present at the hearings and urged the passage of this legislation. His judgment and advice, because of his wide experience in farm loans and country banking in the middle western and northwestern agricultural regions, should have great weight with Congress to-day. Mr. Mitchell stated positively that he could not see how the enactment of this bill into law would affect, in any marked degree, the present values of United States Liberty bonds. He further stated that, in his opinion, the bill is absolutely sound, and will relieve a lot of frozen credits that are to-day in the country banks and help the financial situation among the farmers very materially.

The fact that we have safeguarded this amendment to the Federal farm loan act as an emergency measure, and that after two years the rate will automatically go back to 5 per cent, as originally instituted, I think will meet the approval of the most conservative Member of the House, who might feel that this rate should not be maintained as high as 5½ per cent any longer than absolutely necessary.

From the hearings I find that in the testimony of Hon. H. A. Moehlenpach, of Wisconsin, formerly a member of the Federal Reserve Board, who appeared before the Senate committee urging in the strongest manner possible the passage of this legislation, he offers letters from representative men of the State of Wisconsin, in which these men urge the passage of this bill and of legislation that will enable the Federal land banks and the joint-stock land banks to function. I wish to quote from these letters, as they come from men who thoroughly understand the agricultural situation in that State and the Northwest.

Mr. R. G. Nuss, secretary Wisconsin Implement Dealers' Association, says:

Farmers are in distress in getting in another crop and we fear disastrous results unless money in volume and continuous fashion is supplied.

Mr. George McKerrow, president Wisconsin Farm Bureau Federation, says:

Nothing should be done to retard or hurt the complete functioning of the Federal farm loan system in both branches so that our farmers may have adequate facilities for long-time credits.

Mr. J. J. Jamieson, president of the Wisconsin Bankers' Association, says:

The farm-loan associations and the joint-stock land banks have made ideal working units in serving our farmers. It would be a calamity, indeed, if these systems should be disturbed in their splendid work. On the other hand, everything should be done to increase the usefulness and to enlarge the scope of the system so that it can function more completely in these days of stress.

Hon. John J. Blaine, governor of the State of Wisconsin, says:

The Federal farm-loan system has made a great contribution in caring for the long-time credit needs of the farmer, and has been a real means of reducing the rate of interest on this class of loans. He has not been subject to the high charges, as in days gone by, of the farm-loan brokers and money lenders. During the past year or more, since the system ceased to function, we have seen a tendency to get back to the old methods and the old rates. There can be no danger in having too many farm-loan associations or too many joint-stock land banks or other agencies competing in a field like our State, where the demand is so great for long-time farm credits.

Mr. C. E. Babcock, president of the Wisconsin Retail Lumbermen's Association, says:

As president of the Retail Lumbermen's Association of this State (which consists of about 700 individual dealers) I think I am in a position to state to you accurately the stress under which the farmers are laboring at this time to secure credit. * * * The country bankers of our State are hard pressed for funds. * * * The price of the farmer's produce has dropped in a very violent way during the past 12 months, and this has brought great discouragement and in many sections real distress to our farmers to get their planting and harvesting of another crop. * * * The National Government and the State will do well to assist in every way possible, not only on this financial matter, but in the marketing of the crop of the farmer and to stabilize in every way this program. I trust you will be able to see the Members of both Houses from Wisconsin and impress upon them the importance of this.

The farmers are to-day being discriminated against in the matter of long-time credits, because of exorbitant rates of interest plus large commissions which are being asked for renewal of loans and for new loans. The reason for this, to a large degree, is due, no doubt, to the fact that loanable capital is withdrawn from financing farm operations and used in other financial operations, such as large foreign bond issues and bond issues of domestic corporations, which pay as high as 7½ and 8 per cent, plus large commissions as underwriting fees. Indeed,

reports indicate that insurance companies of the East, as well as large real estate mortgage-loan agencies who used to make loans freely on farms at 5, 5½, and 6 per cent in years past, are now demanding 7 and 8 per cent plus exorbitant commissions, because they can now invest their funds in foreign Government bonds and in bond issues of our large domestic corporations at very high rates of interest.

The one thing that we ought to consider very carefully in this matter is that when the loans are made to the farmers for 5 or 10 years at 8 per cent with a high commission charge on top he has no way of being relieved from this burden should the market rates in a year or two, or even three and four years, go down. He has his interest rate fixed, and most of the loaning companies these days will not grant the "on or before" privilege of payment as in the past, thus holding the farmer to his 5 or 10 year contract. This is in marked contrast with the business man who can go to the Federal reserve banks and during the stringent period borrow money for 60 or 90 days at 7 and 8 per cent, but if in 6 months' period or a year's period the interest rate goes down he is in position to renew his loans at the lower rate of interest. Not so with the farmer who has made his loan for the fixed period of 5 or 10 years, and at the present reduced prices of all products from the farm the farmer can not stand to pay the exorbitant rates of interest which to-day are demanded by insurance companies and large loaning agencies. [Applause.]

As I have stated in a previous argument on the Curtis-Nelson bill, I wish to repeat again here that the country banks have loaned themselves up to the limit in an effort to tide the farmer through the period of distress; their liquid paper is exhausted; they are helpless to furnish further relief and are as vitally interested in the farmer being able to come into possession of outside sources of credit as is the farmer himself. Every relief offered the farmer in the way of a farm loan results in releasing for ordinary and normal banking usage funds of the bank now tied up in loans which the farmer can liquidate in no other way, thus conferring a very direct benefit upon commerce and industry in addition to the service directly rendered the farmer. [Applause.]

The main thing about the bill before us to-day is to enable the Federal farm loan system to function to its maximum capacity in its dual provisions. The Federal reserve system is to-day furnishing at most reasonable rates sufficient funds for our manufacturing and commercial interests in the big industrial centers, for which we are exceedingly happy, and it is equally necessary that the Federal farm loan system shall be made to function so as to make loans obtainable at reasonable rates to the tillers of the soil in order that we shall be able to return at the earliest possible date to normal conditions in our agricultural, commercial, and industrial activities.

I am free to agree with every member of our committee, I am free to agree with every speaker on the floor of this House—and no one would urge it with more real genuine belief that it ought to be done than I—that we ought to remove all tax-free securities in our Nation, but that can not be done now. That is a thing that must be done by constitutional amendment and must be referred to the several States for ratification in order to do away with the tax-exempt securities in our Nation to-day. In my judgment it is not right to tax these \$500,000,000 securities of the farmers' Federal farm system while at the same time we let \$16,000,000,000 of other securities go free and continue to be exempt from taxation. We must not start on the farmer first. [Applause.]

Farming is the basic industry of our Nation. When the farmer is prosperous, the merchant, the business man, and the local bank will be prosperous, and this, in turn, works all the way up to the most crowded industrial center. The distribution of even two or three hundred millions of dollars to the farmers in one year through the Federal farm loan system would probably mean a liquidation of five times that amount in frozen credits to-day. This would mean over a billion dollars of credit liquidation in our country which would mean the beginning of business activity and permanent prosperity. It is absolutely essential that we aid the tiller of the soil to produce, sell, and buy, and thus start our stagnant industries in operation and put our idle millions to work. [Applause.]

I desire to call the attention of the man who may object to raising the interest rate from 5 per cent to 5½ per cent, because of the possible depressing effect it may have upon our United States Liberty bonds, to the fact that the Government in financing itself has already produced this condition in issuing its certificates of indebtedness for short periods at 5½ per cent and for longer periods at 5½ per cent. Indeed, in issuing the Liberty bonds themselves we find the rates increasing with each issue, from 3½ per cent in the first issue to 4½ per cent in the Victory

issue, and, as Mr. Mitchell of the Federal Reserve Board stated before the committee, he did not believe that this bill would affect in any marked degree the value of the present United States Liberty bonds already issued.

Therefore, in view of the fact that this bill as an emergency measure has the approval of the Secretary of the Treasury, the Federal Farm Loan Board, members of the Federal Reserve Board, and the various farm organizations, I believe that the House should, to-day, pass this bill (S. 1811) as amended by the Committee on Banking and Currency of the House, in order that we shall furnish the relief necessary to our agricultural interests, and make it possible for the Federal farm loan system to function to its maximum capacity.

In closing, I desire to express my high appreciation of the splendid personnel of the Federal Farm Loan Board. We have in Hon. C. E. Lobdell and Hon. A. F. Lever men of wide experience and deep fundamental knowledge of the needs of the agricultural interests of our country, and Congress should not hesitate to furnish them every means possible to make this system function to its maximum capacity. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. A. P. NELSON. I wish to insert here some very interesting facts and figures gathered from the census reports by the Washington Herald economist:

The new census report on the mortgage debt of farms has timely interest in connection with the discussion of the financial status of agriculture. The question arises, Is the farm industry increasing or decreasing its borrowed capital, and what is the significance of the change?

Census figures are not very satisfactory on this subject because of a change of basis in each of recent census years and the fact that the returns on mortgage debt covers only farms operated by owners and leaves out all farms operated by managers and tenants. The reports show that of the total number of farms operated by owners, which was 3,925,090 in 1920, only 3,535,847 reported as to whether they were mortgaged or not. This is just a little more than half of the total of 6,448,366 farms in the country.

The census leaves much to be estimated on this subject, but a comparison of the last four census reports gives some idea of the direction that farm capitalization is taking in the form of mortgage indebtedness.

Farm mortgages, 1890-1920.

	1890	1900	1910	1920
Number of farms.....	4,564,641	5,737,372	6,361,502	6,448,366
Owners' farms.....	3,142,746	3,638,402	3,948,722	3,925,090
Free from mortgage.....	2,227,960	2,419,180	2,588,596	2,074,734
Mortgaged.....	875,052	1,093,164	1,312,034	1,461,113
Per cent of total—				
Free from mortgage..	71.8	69	66.4	58.7
Mortgaged.....	28.2	31	33.6	41.3
Value of farms reporting debt.....	\$3,054,923,165	(¹)	\$6,330,236,951	\$13,772,729,610
Amount of debt.....	\$1,085,995,900	(¹)	\$1,726,172,851	\$4,012,711,213
Ratio of debt to value, per cent.....	35.5	(¹)	27.3	29.1
Average debt per farm...	\$1,224	(¹)	\$1,715	\$3,361

¹ Not given.

The new census shows that while the value of the farms reporting the indebtedness has increased 117 per cent the amount of the debt in these same farms has increased 132 per cent. The ratio of debt to value has increased from 27.3 per cent in 1910 to 29.1 per cent in 1920. This indicates a considerable growth in the amount of debt carried, which is shown more clearly in the average debt per farm, which increased from \$1,715 in 1910 to \$3,361 in 1920.

An increase in mortgage indebtedness is not necessarily an indication of lack of prosperity. It rather is an indication of a changing point of view toward the mortgage. Once regarded as an instrument to be avoided and removed at the earliest possible moment by the adoption of every possible economy, it is now coming to be regarded as the form in which a farmer may hold invested capital in his individual enterprise. So long as the rate of interest is reasonable and the terms favorable the mortgage may be continued for several years by even the most careful operators, so long as they can use their profits better as operating capital improvements or in other investments.

The per cent of farms mortgaged is high in some of the most prosperous agricultural States, the west north central region leading with an average of 56.9 per cent. At the same time the amount of the debt in relation to value was lowest in this same section.

STATES WITH HIGHEST NUMBER OF MORTGAGED FARMS.

	Per cent.
North Dakota.....	75.9
Montana.....	64
South Dakota.....	63.1
Wisconsin.....	62
Idaho.....	62.8
Oklahoma.....	60.4
California.....	55
Nebraska.....	56.5
Iowa.....	59.1
Minnesota.....	56.3
Michigan.....	51.9
Kansas.....	51.8
Missouri.....	51
New Jersey.....	50

Without the facts as to the amount of the mortgage debt on rented farms the total debt can not be determined by States or sections. When the ratio of the debt to value of the farm is taken the list is quite different. This runs highest in the older sections of the East and a few other States.

STATES WITH HIGHEST RATIO OF DEBT TO VALUE OF FARM.

	Per cent.
Delaware.....	39
Vermont.....	38.6
Wisconsin.....	37.8
New York.....	37.5
New Jersey.....	37.4
Maryland.....	36.6
Alabama.....	35.5
Pennsylvania.....	34.5
Michigan.....	34.6
New Hampshire.....	33.6

In total amount of debt per farm Iowa leads with \$9,358; then Nevada, \$8,499; Nebraska, \$7,042; South Dakota, \$6,412; California, \$6,001; Arizona, \$5,441; and Illinois, \$4,385.

The total value of land and buildings on farms is put at \$67,795,965,884, or an increase of 94.8 per cent over 1910. The number of farms reporting debts being only 41 per cent of the total, it may be roughly estimated that the total mortgage debt of all farms is something like twice the amount reported or nearly \$8,000,000,000. A survey several years ago by the Department of Agriculture placed the total of mortgage loans at about \$3,500,000,000. If the debt has increased as have the values the present total is somewhere near to the \$8,000,000,000 mentioned.

This estimate is only of value in comparing the borrowed capital used in agriculture with other industries. The total railway capital reported by the Interstate Commerce Commission for 1918 was \$20,784,000,000, which included \$9,992,000,000 in bonds and \$9,055,000,000 in stocks, each more than equaling the total mortgage debt on farms.

The growth of farmers' debt, as represented by mortgages, reflects the change in the organization of farms to an enterprise requiring more borrowed capital and credit. Considered in relation to the total value of farms and the annual value of products this amount of indebtedness is not necessarily alarming. As this debt grows, however, there is an increasing fixed charge against agricultural production in the interest which must be reflected in the cost of production.

Mr. STEAGALL. Mr. Chairman, the only hesitancy I have had about giving my support to this bill has been upon the question of its necessity. When the proposition came before the Committee on Banking and Currency, of which I am a member, I did not want to vote for it until I heard from the Farm Loan Board and the Secretary of the Treasury as to the necessity for the legislation. But as soon as the proof was before us that the joint-stock land banks and the Federal land banks were unable to market their bonds in a way that would enable them to do business along normal lines, and with some regard to the demands upon them, I had no further doubt as to the wisdom of the legislation. It is simply a practical, common sense, business proposition. The land banks are in just such a situation as has confronted the commercial banks of the country in recent months, and we should have been shocked if we had been faced with legislative restrictions and provisions that would have forced the commercial banks to stop business last year when interest rates went up beyond what anybody anticipated or expected. Fortunately, there were no restrictions that hampered them in the right to borrow money to carry on their business, and so they went ahead and took care of the situation as best they could.

All that the Federal Farm Loan Board asks is that they be permitted to market the securities of the land banks at such rates of interest as will attract the investing public. There has never been such a demand for money before. Nobody could anticipate the situation that now exists when we passed the land bank bill originally. Nobody dreamed of all that has happened since then. The Secretary of the Treasury has raised the interest rates on Government borrowings and I do not wish to criticize him for it at all. I am not sure but that the interest rates on bonds heretofore should have been higher. I know that patriotic men who bought them should not be forced to lose their money. There are going to be large quantities of securities put on the market in the next few years. We are told the War Finance Corporation is going to float vast amounts of securities. Probably all this was considered by the Secretary. It is very easy to criticize the Secretary of the Treasury. But there is a great deal of thoughtless criticism by people who do not have all the information sometimes that those charged with great responsibilities may have. In any event, what we should do is to deal intelligently with the existing situation and not confuse it with other matters.

It is said that this legislation is a special favor extended to the farmer. I might answer that by saying that if that is true the original farm loan act was a special favor to the farmer, and we did grant them certain benefits, but that matter was dealt with in the establishment of the banks originally. The question of tax-exempt securities has very little legitimate place in the argument on this bill. This system is in operation. It has the sanction of Congress. We have put our hands to the plow and we ought to go along and do the things that sensible business men all recognize as necessary in order to make these banks function along the lines intended, or if we made a mistake or committed a folly, we ought to turn around and repeal the law in its entirety and quit. Not only is that true, but if we do not want any more tax-exempt securities in this country there is a perfectly proper way by which the Congress can go

about dealing with that question, but this is not the place and this is not the time for such action. If anyone wants any legislation like that, any Member of this House is at liberty to introduce his bill and have it considered in the regular way. There is a time for it, but what we ought to do now is to deal with the situation that exists. The bill before us recognizes that the necessity for this legislation may not be permanent, because the Banking and Currency Committee of the House adopted an amendment to the bill which limits its operation till June 30, 1923. Not only is that true, but nowhere in the bill is provision made that the interest rates must be raised. We simply give to the Federal Farm Loan Board the power and authority to apply common-sense business rules in a practical way in the operation of this system, and when they go out to sell bonds on the market we clothe them with authority to deal with the investing public on terms that will enable them to compete with others who are in the borrowing market, seeking to obtain money.

It is a simple, plain business proposition. The original farm loan act provides that no bonds shall be sold at a higher rate of interest than 5 per cent, and that no loans shall be made at a higher rate of interest than 6 per cent. The banks find themselves in a situation where they may be forced to pay higher rates of interest if they are to operate successfully. In any event, this is true of the joint-stock land banks. As to the Federal land banks, members of the Federal Farm Loan Board do not believe it will be necessary to pay as high as 5½ per cent. But they state that it is difficult to sell the bonds at 5 per cent, and they think it will be necessary to pay a little more than that until conditions become more nearly normal. We ought to close up the banks and quit or follow up this legislation, which is comparatively new in this country, with such amendments and changes as are necessary to meet changing conditions and make it possible for these banks to do business as Congress intended they should. If conditions had been what they are now, no Member of this House would have considered for a moment putting the restrictions and limitations in the original farm loan act which it contains. It was intended when the act was passed to fix the maximum interest at which bonds might be sold high enough to leave ample margin to make sure the board would be able to market the bonds without difficulty. If we were to undertake to amend the law at this time in a way to allow the same latitude that was intended to be allowed in the original bill, we would have to fix the maximum rate of interest on the bonds higher than 5½ per cent and raise the rate of interest to be charged the farmers to a higher rate than 6 per cent. But it is not proposed to go any further than the necessities of the situation absolutely require. It is only proposed to raise the maximum rate which may be paid on the bonds to 5½ per cent and at the same time provide definitely that the rate of interest to be charged borrowers shall not be increased. I agree with the gentleman from Arkansas [Mr. Wingo] that legislation should be passed authorizing the Secretary of the Treasury to carry deposits with the land banks to the amount of \$100,000,000, in order that they may have at all times sufficient working capital with which to sell their bonds by keeping them continually on the market and not depend upon occasional bond sales in which the purchasers have advantage.

I have introduced a bill, which is now before the Banking and Currency Committee, giving authority to the Secretary of the Treasury to make such deposits to the extent of \$100,000,000, and I sought before the Banking and Currency Committee and before the House to increase the amount carried in the bill recently passed which authorized the Secretary of the Treasury to make such deposits to the extent of \$25,000,000. But, no matter how ample might be the capital stock of the banks or how large a revolving fund might be provided, it would still be necessary for them to pay necessary interest on any bonds sold to induce the investing public to take them. The bill before us simply undertakes to do that very thing.

Some gentlemen are always shocked for fear a special favor will be done the farmers of the country when any legislation is offered in which they are primarily interested. So far as I can remember there was never a cry heard against tax-exempt securities until the farmers began to receive some slight benefit from them. There are some fifteen billions or more tax-exempt securities that have already been absorbed, and yet the land banks have only sold between four and five hundred million dollars of such securities. I fail to see any basis for the charge of favoritism to the farmers in legislation which simply provides that the investing public shall receive higher interest rates for money loaned. There is no favoritism in this bill, unless it be for those who have idle capital seeking investments. I do not question that the farmers of the country will receive benefits from this legislation. I feel absolutely sure they will. But, in helping them we shall in turn afford some measure of

relief to bankers, merchants, and other classes whose prosperity is dependent upon the success of the farmers. There is no excuse for any man to oppose this bill, unless he is opposed to the farm loan system. There are a few such Members in this House, but I do not believe they can win a majority to their way of thinking. [Applause.]

Mr. BLACK. Mr. Chairman, I do not think there is any substantial ground of argument against the merits of this bill, and I assume there will be no difficulty about its passage. I think the legislation is very important in view of the interest rate situation in the country as to other investment securities, and in view of the urgent necessity of the farm loan system functioning as contemplated by the farm loan act. In looking over some farm statistics this morning, I saw that the recent compilations by the Department of the Census disclose that the 1920 census shows there has been an increase in tenantry in the United States of a little over 100,000 since 1910, or something more than 4 per cent, and that the decrease in farms cultivated by their owners has been a little more than 23,000, or about six-tenths of 1 per cent. That makes a better showing, perhaps, than we have anticipated, and yet it is not a satisfactory showing. The showing will not be satisfactory until the pendulum definitely swings back the other way and an actual decrease in tenantry is shown. Therefore the effort on the part of Congress and those who have to do with our national finances ought to be to extend every reasonable and practical encouragement to home ownership, so that by 1930 the census will show an actual, substantial increase in the number of men who own their own farms and live under their own "vine and fig tree."

If there is any one institution that has thoroughly vindicated the wisdom of its creation, it is the farm loan system. War conditions presented many difficulties and obstacles, but the system has operated successfully in spite of these, and in my judgment is now firmly established as a part of the fiscal machinery of the Nation. The most recent report I have seen from the Farm Loan Board shows that up until the present time about 131,000 loans have been made, and the aggregate value of these net mortgage loans was \$356,106,112.48, and the average of such loans was something more than \$2,800 each. The joint-stock land banks have loaned something more than \$80,000,000, and the aggregate number of their loans was about 8,300, making an average, therefore, for each of their loans of between nine and ten thousand dollars. There is a proposition which is being advocated with considerable energy by some of the farm organizations of the country to increase the loan limit from \$10,000 to \$25,000.

In my judgment it would be a great mistake to make that change. I think the farm organizations which are advocating it are showing very poor judgment. Their position is unsound. The soundness of the farm loan system from an economic point of view rests upon the very showing that it is able to make, to wit, that this money which is being mobilized under Government supervision and with the advantage of tax exemption has not been loaned to just a few farmers but has been loaned to 131,000 of them, and in sums of about \$2,800 each, on the average. This very showing is the strongest argument that can be made for the system and is the very best evidence of the wisdom of those who are operating the system. It would be a very difficult matter to justify the tax-exempt feature of farm loan bonds, even as to the bonds issued by the 12 Federal farm loan banks, unless we could show a wide distribution of the loans and that they are made in small amounts. This, I am happy to say, we can do, and I would not want to see it otherwise. I think the joint-stock land banks would do a great deal better if we would put a limitation on their loans of, say, \$20,000, not more than that on the outside. What is the situation that now confronts us? Why is it necessary to amend the law so that bonds can be issued bearing a rate of as much as 5½ per cent rather than the 5 per cent limit which now prevails? The reason is simply this: Other Government securities, other securities issued by commercial enterprises, are so attractive in interest rates that it is very doubtful whether the Farm Loan Board would be able to float another bond issue at 5 per cent. At least it should have some leeway in the matter of fixing the interest rate on its bonds if it finds the condition of the bond market requires such change. One of the ablest opponents of the present bill was Mr. E. D. Chassel, secretary of the Farm Mortgage Bankers' Association of America. He filed a brief with the committee, and, in my judgment, there are certain parts of his brief which are the strongest possible argument for the adoption of the present bill. I read now from his brief, which he filed with our committee:

At the present time United States securities can be purchased to yield 5½ per cent. The security on both principal and interest is absolute. Municipal securities can be purchased in large quantities, exempt from

Federal income tax, to yield 5½ per cent and 6 per cent, sometimes more than 6 per cent; school bonds in Iowa can be purchased to yield 5½ per cent and 6 per cent.

In the face of these market conditions it does not seem at all probable that the passage of this act would open up a market for these bonds. The price would not be sufficiently high to overcome the objections that would be raised by careful investigating investors.

Mr. JOHNSON of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. BLACK. Yes.

Mr. JOHNSON of Mississippi. Is not the purpose of passing this legislation to meet that situation?

Mr. BLACK. Yes; and Mr. Chassell makes, in the section of his brief which I have just read, the strongest kind of an argument why we should adopt this bill, because if we do not adopt it, in my judgment, the system is bound to encounter real difficulties.

Mr. JOHNSON of Mississippi. And securities will not be marketed.

Mr. BLACK. They probably could not be unless interest rates decline from their present level, because we can not conscript capital. We must induce capital to invest. That is the basic purpose of the farm loan act. In last night's paper I saw where the War Finance Corporation contemplates an issue of a considerable amount of bonds at an interest rate of 5½ per cent, the maximum that we provide here.

Mr. Chairman, the figures given out by the Director of the Census recently show that in 1920 the aggregate value of farms in the United States, including land and permanent improvements, was \$77,000,000,000, this being by far the largest of any other one industry. Of this capital the farm owner has anywhere between 85 and 90 per cent of his own individual capital invested in the enterprise and is, therefore, only drawing on the credit resources of the country for between 10 and 15 per cent of his capital investment. What other industry can make so good a showing? None. The value of the railroads has been fixed by the Interstate Commerce Commission tentatively at \$18,900,000,000, and of this value about \$10,000,000,000 is represented in bonded indebtedness, or more than 50 per cent of the valuation. I do not cite these figures in a spirit of hostility to the railroads, but only as an illustration to show how much more heavily other industries draw on our Nation's credit resources than does farming. It is perfectly reasonable and proper, therefore, for Congress to enact legislation which will at least give the farmer a fair chance to secure his part of the funds available for loans.

Now, how can we expect the Federal farm loan system to go into the money market and compete with an interest rate lower than the current market rate, giving due consideration, of course, to the tax-exempt feature of the bonds? We can not expect that. It would be unreasonable for us to expect it. If we fail to adopt an amendment of this kind there would be a danger of the system coming to a halt or of the Federal Farm Loan Board having to come to the Congress to buy its bonds out of the Treasury of the United States, and I am opposed to that. I want the system to function from now on on its own resources. [Applause.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. KING. Mr. Chairman, I yield two minutes to the gentleman from Illinois [Mr. MANN].

Mr. MANN. Mr. Chairman, the proposition before us seems to be a very simple one. We can fix the rate of interest upon bonds which we authorize somebody to sell, but we can not fix the rate of interest which we require investors to take. You can not loan money through farmers' organizations unless you secure the money. In order to secure the money, you must consider the money market, the rate of interest at which investors will furnish the money. That is all there is to it. If you refuse to put the rate sufficiently high to get the money from investors, you can not loan it, because you have not got it, and this proposition simply is that if the farmers' organizations are unable to secure the money from investors at a 5 per cent interest rate they may increase the interest rate, if necessary, to 5¼ or 5½ per cent.

The interest rate, in my opinion, ought to be eliminated entirely. It is a matter of money market. If we want to prevent further loans by the farm-loan organizations, we can refuse to permit them to raise the interest rate, because the interest rate having been raised on money elsewhere throughout the world—throughout every other industry and enterprise—the probabilities are that they can not secure the money at 5 per cent. And it is far better for the farmer to get money at 5 or 5½ per cent than it is to do without it. That is all we have to consider. [Applause.]

Mr. KING. Mr. Chairman, I yield five minutes to the gentleman from Nebraska [Mr. REAVIS].

Mr. REAVIS. Mr. Chairman and gentlemen of the committee, I share the apprehension of those who have expressed some doubt as to the efficacy of this bill. I am hopeful, however, that it will meet the situation in some degree, and for that reason I will cordially give it my support. I am in principle opposed to tax-free securities as much as anyone can be. I believe it is unscientific; that it violates every proper theory and principle of finance. I have long felt that one of the troubles with the credit of this country was the conspiracy that existed between tax-free securities and the high surtaxes of the late revenue bill. I saw a statement not long since—I can not vouch for its accuracy or correctness—that if one had a principal sum which at 5 per cent interest would yield \$150,000 in income a year, that that principal invested in tax-free securities at 5 per cent under the present revenue laws of the country would return a greater net revenue than the same money invested in the ordinary securities at 15 per cent; that the surtaxes would take so much from the ordinary investment that his net return at 15 per cent would be less than the return at 5 per cent in tax-free securities. The result of a situation of that kind, of course, is that money seeks investment in tax-free securities where it is loaned by men of great wealth and, seeking such character of investment, will naturally be withdrawn from the credits of the country so necessary to the great industrial institutions, to the railroads, and to enterprises of like character.

But whenever a man comes on the floor of the House of Representatives and preaches tax-free securities as a reason for the defeat of a bill of this kind, he is doing nothing more nor less than arguing for the defeat of the farm loan system. [Applause.] The only thing that this Congress can reach by legislation of that character would be Government bonds and farm-loan bonds. The only way you can reach municipal and the great aggregate of tax-free securities in the ordinary investment would be by constitutional amendment and not by legislation. Consequently the only thing that this House could do, the only thing that this Congress could do, with reference to stopping the issuance of the great aggregate of tax-free securities, would not be on some little measure of this kind, but would be by constitutional amendment that would shut out, not alone the credit of the farmer but shut out all credits in the way of a tax-free security.

We now have the spectacle of those who for years have been building their magnificent cities by the issuance of tax-free securities complaining about a tax-free security when furnished as a credit to the great agricultural sections of this country. We have those who have issued 97 per cent of all the tax-free securities of America complaining about the 3 per cent issued for the benefit of the farmer. I want to say to this—the Democratic—side of the House that in my humble judgment one of the most serviceable pieces of legislation that marked the administration of President Wilson, and one of the most serviceable pieces of legislation that was ever passed by an American Congress, was the farm loan act. [Applause.] It was one of the great constructive things that was done by that Congress. It furnished to a great class of our citizenship the only character of security that met its need. Every other business activity, every other industry, had some institution that extended to it a credit in harmony with the business it pursued. The farm loan act granted to the agricultural interests of this country not only a great boon, but it will contribute to the life of the Nation as much as any law that ever passed this body during its existence. [Applause.]

One hundred and forty thousand farmers have taken advantage of its beneficent provisions. The average loan is \$2,800, which discloses that the man of small means is applying himself industriously toward the acquisition of a home. This process long continued will materially reduce tenancy in the land, and no greater benefit than this can be conferred on any Government. To continue a maximum interest rate of 5 per cent on these bonds means that the bonds will not find a market and the farm loan act will fail to function. We should either pass this bill or repeal the law, and I can not believe that any Member, in view of the results of the law, would countenance the thought of repeal.

Mr. KING. Mr. Chairman, I yield five minutes to the gentleman from Kansas [Mr. TINCHE].

Mr. TINCHE. Mr. Chairman and gentlemen of the committee, it is a little surprising that every time a bill comes up which by any construction the farmer can have a benefit there is always some one in the House of Representatives to charge that the farmers are seeking special class legislation. The gentleman from Illinois [Mr. MANN] made my speech. Talk about class legislation! You say to the farmer, "Here is an institution that can loan you money." You say to the business

man, "Here is an institution that can loan you money." On the Federal reserve bank there is no limitation of interest. That is the bank that loans the factories of the gentleman from Vermont their money, but when the farm bank asks to have the rate of interest that a bond can draw increased from 5 to 5½ per cent, so that they can function in these extraordinary times, the gentleman says you are asking for class legislation. Talk about class legislation! I took the trouble to go and look at the Record, after the gentleman from Pennsylvania made his short talk and the interruptions indicated the views of Members on this floor toward this measure, to see how they voted when the farm-loan bank proposition was up for consideration. And I found that those men who are charging here to-day that the farmer is asking for a preference cast a record vote against the creation of the farm-loan bank, and they are fighting it to-day as they did then. How they get excited about this thing!

Mr. McFADDEN. Does the gentleman include me in that category?

Mr. TINCER. No. I did not look to see how the gentleman voted.

Mr. McFADDEN. I will say to the gentleman that I voted for it.

Mr. TINCER. I am glad the gentleman in his younger days had lucid intervals. [Laughter.] I am very glad to hear it.

I am frank to say to you I do not like tax-free securities. I think they are an evil.

I say they are an evil. But less than 3 per cent of the non-taxable securities of this country are held by the Federal farm loan banks or the joint-stock land banks. That is a great place to start the reform.

Mr. REAVIS. Mr. Chairman, will the gentleman yield?

Mr. TINCER. Yes.

Mr. REAVIS. Did you ever hear of protests against the issuance of tax-free securities here until the farmer got the benefit of a few of them?

Mr. TINCER. No; not until he got 3 per cent of them. Oh, how I sympathize with men down Wall Street way, when they rise every time a thing like this comes up, and wonder how is it going to reduce the price of Government bonds, and how will it affect them. It does not matter how it affects them. They bought most of them from poor people at less than par, and eastern institutions now have them for sale at prices ranging from 80 to 90 cents. Do not get excited; do not fix it so that the West can not keep on feeding you and taking care of you and hold these bonds until they mature, and then this Government will still be solvent and the bonds will be paid 100 cents on the dollar. [Applause.]

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. McFADDEN. Mr. Chairman, the gentleman from Kansas [Mr. TINCER] has just referred to certain incidents in connection with the passage of the farm loan act in 1916. The argument that was presented for this legislation at that time was that it would help the landless farmer, the tenant farmer, the poor farmer, to acquire a farm.

Now, pressing closely on the heels of this special legislation, I want to say to members of the committee there is another bill that is just as pressing, backed by the same interests as are behind this, and that is the bill proposing to raise the limit on farm loans from \$10,000 to \$25,000. You gentlemen will probably be asked to vote on that coming bill at a very early date. Had that proposal been presented at the time of the inception of the Federal farm loan act, the Federal farm loan act would never have been passed by Congress, because the argument that prevailed, and which was agreed to by all, was that they wanted to help the poor fellow, the little fellow, the tenant farmer, and the landless man.

Now, there are, as I stated here a few moments ago, some \$200,000,000 or \$300,000,000 worth of applications waiting to be handled. The Farm Loan Board say they can only sell \$40,000,000 or \$50,000,000 worth of bonds every four months. You will see it will take a little time to get sufficient money to take care of the applications already on file, and I submit to you that it is a great deal better for the farm loan system to serve 10 small farmers than one big farmer. [Applause.] In order for the farmer to borrow \$25,000 he has got to have farm assets acceptable under the law to the extent of between \$50,000 and \$60,000. I submit that that man should not deprive the little man, the tenant farmer, or the landless man of his right to acquire land and earn a livelihood; but if you increase this limit to \$25,000, that is exactly what you do—help one man who is able to help himself and deprive 10 poor men of loans who need help most.

I want to throw out the suggestion to you gentlemen here now, because this coming legislation is being pressed, and without doubt Congress will be called upon to vote upon it at a very early date. As I recall it, the Senate has already passed this measure. So on the heels of this pending measure will come the passage of this other bill; and you may be wondering, in that connection, if that bill is passed, whether the farm loan system will take care of the big fellow or the little applicant first.

I said this morning that the passage of this pending legislation would give the bankers' syndicate, who are selling these bonds, an advantage over the Farm Loan Board in making negotiations for the next sale of their securities. I believe that the debate here has demonstrated the fact that it is the purpose in the next offering of farm loan bonds to offer them at 5½ per cent instead of 5 per cent.

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. In a moment. The Farm Loan Board has just consummated a sale of \$40,000,000 of these bonds at 5 per cent, and I am told that to-day the market price on these bonds, the last issue sold, is around 101.

Now I yield to the gentleman.

Mr. BLANTON. Why not, when the Secretary of the Treasury of the United States is offering \$200,000,000 worth of securities for five and three-fourths?

Mr. McFADDEN. These are longer-time securities, and will command in the market a higher price because of this fact, and they have other attractive features that the United States bonds do not offer.

Mr. STEAGALL. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. Certainly.

Mr. STEAGALL. I think the gentleman is in error in stating that the bonds will all be sold at 5½ per cent. As I remember, the statement was repeatedly made that they had every reason to expect that they would not go to the maximum of 5½ per cent to market the Federal farm loan bank bonds.

Mr. McFADDEN. I hope the gentleman is correct, and that the board may be able to do that, but the passage of this bill makes it harder for the board to drive such a bargain.

Mr. STEAGALL. That was the statement that they made.

Mr. McFADDEN. The Congress is specifically authorizing the board to pay a rate of 5½ per cent when it is well known that the board has been at the mercy of this syndicate of bankers in the past, it seems to me well and reasonable to assume that they will pay the exact 5½ per cent rate on the next issue sold.

Mr. Chairman, I reserve the balance of my time.

The CHAIRMAN. The gentleman from Pennsylvania reserves the balance of his time.

Mr. KING. Mr. Chairman, I yield five minutes to the gentleman from Kansas [Mr. STRONG].

The CHAIRMAN. The gentleman from Kansas is recognized for five minutes.

Mr. STRONG of Kansas. Mr. Chairman and gentlemen of the committee, this bill simply increases the rate at which the farm loan banks and joint-stock banks may issue their bonds for two years. It does not increase the rate to the farmers. It only lessens the profit of the banks, but enables them to sell their bonds and obtain the money to loan to the farmers of the Nation.

I regret very much that there is any opposition to this bill. There ought to be none. However, ever since this farm loan system passed this Congress there has been a determined opposition to it. It has mostly come from the agents' bankers who are interested in the farm loan mortgage business. They have an association, and through that association they attacked this farm loan system in the courts, and they carried it to the Supreme Court of the United States and tied it up for two years. They caught the farm loan banks and the joint-stock banks with a lot of commitments; that is, the farm loan banks and the joint-stock banks had taken applications for mortgages and agreed to make them, and in many instances had placed the mortgages on record, and had no money to meet the commitments with. Congress voted \$200,000,000 to relieve that situation of the farm loan banks, but the joint-stock banks had no such relief.

They have been borrowing of the banks throughout the country at 6 and 7 and 8 per cent to get the money to meet their commitments. The Supreme Court of the United States having declared the law legal upon which the banks are founded, they now come to Congress and ask us to increase the rate at which the law permits them to issue their bonds from 5 to 5½ per cent.

Gentlemen, of all the tax-free bonds issued the farm loan bonds are the only ones that are thus limited as to the rate of

interest. Why should they be so limited? And when the Government is offering tax-free certificates at 5½ per cent, thereby making it impossible for the joint-stock land banks to float their bonds at 5 per cent, why is it not just and right to pass a bill to raise the rate in order to let them sell their bonds and get the money they need to meet their obligations and make new loans?

Whom will it benefit? Not alone the farmers, because many of the banks throughout the West and throughout the East also made loans to these joint-stock banks in order to enable them to meet their commitments, and this raising of the rate of interest will enable them to sell their bonds and provide the funds to return to the banks of the country the advances which they have made, thereby giving them that much relief. It will also provide relief for the farmers who are now having their loans foreclosed, because the loan companies and large estates now have more attractive loans offered them at higher rates of interest and will not renew at old rates of interest or make new loans at reasonable rates. There is a need now for relief for farmers of the West.

It seems to me that the objection to the tax-free feature of these bonds comes with very poor grace from the men who make that objection to the passage of this bill. There are \$17,000,000,000 of tax-free bonds now held in the United States, and of this vast amount only \$450,000,000 have been issued by the farm loan system. It seems to me this is certainly a bad time to cry out against the issuing of tax-free bonds when the farmer is asking for less than 5 per cent of the total issue of tax-free bonds.

I do not believe in tax-free bonds, and I shall be glad to join with the men who are talking against them now if they will introduce an amendment to the Constitution to wipe out all the tax-free bonds. But until you do that, gentlemen, do not overlook or approve the \$16,550,000,000 of bonds issued by the cities, towns, counties, and States and Government of this country and then throw up your hands in horror at the idea of the farmers having \$450,000,000 of like bonds issued for their needs.

There is also considerable opposition to this measure on the ground that it is claimed it will raise the rate of interest to borrowers throughout the country. A member of the Federal reserve system came before our committee, and in answer to a question said it would not interfere with the general interest rate, that we would not issue enough tax-free bonds at 5½ per cent through the Federal farm loan system to in any way affect the general interest rate. Besides, it simply meets the present emergency, being limited to two years.

The Secretary of the Treasury approves this bill. The Federal Reserve Board approves it. The Farm Loan Board came before our committee and approved it. Every financial agency of this administration has approved this bill. The only opposition before our committee came from the president of the bankers' farm loan organization, organized to fight the Federal farm loan system, and I am sorry there is any opposition here. There ought not to be any. This bill will bring some relief to the farmers of this country who need the credit so badly, and we ought to pass it unanimously. [Applause.]

Mr. WINGO. Mr. Chairman, have I any time left?

The CHAIRMAN. The gentleman has one minute remaining.

Mr. WINGO. I wish the gentleman from Pennsylvania [Mr. McFadden] would yield me a little time.

Mr. McFADDEN. Mr. Chairman, how much time have I remaining?

The CHAIRMAN. The gentleman from Pennsylvania has 15 minutes.

Mr. McFADDEN. I yield three minutes to the gentleman from Arkansas.

The CHAIRMAN. The gentleman from Arkansas [Mr. Wingo] is recognized for four minutes.

Mr. WINGO. I think if gentlemen will reflect for a moment there will not be a vote against the bill. By voting against this bill do you want to put the joint-stock land banks out of business? As I said, I am against the joint-stock land banks, and have been from the beginning, but I think this is a bad time to undertake to close them up. We ought to keep every loaning agency going if possible. They are going to be compelled to pay 5½ per cent. Why? Because the War Finance Corporation is going to issue a large amount at 5½ per cent. The Secretary of the Treasury is going to be in the market with loans to offer at 5½ per cent in September. Now, how on earth do you expect these joint-stock land banks to be able to sell their securities at 5 per cent when there are going to be so many tax-exempt Government securities put out along about the same time at 5½ per cent?

Mr. MANN. Will the gentleman yield?

Mr. WINGO. I yield to the gentleman from Illinois.

Mr. MANN. Are the securities put out by the War Finance Corporation or the temporary securities put out by the Secretary of the Treasury tax exempt?

Mr. WINGO. Perhaps I may be in error, but as I recall they are practically on the same basis as most of the issues of Government bonds. I am not sure about that. I may not be accurate.

Mr. MANN. Most of the issues of Government bonds are tax exempt in small quantities only.

Mr. WINGO. Yes; only up to a certain amount of income. But regardless of whether they have complete tax exemption or not, the fact that these securities are going to be put out at 5½ per cent will swamp the absorbing power of the investment market.

Mr. CHALMERS. Will the gentleman yield?

Mr. WINGO. I yield to the gentleman from Ohio.

Mr. CHALMERS. What does the gentleman think of limiting the 5½ per cent issue?

Mr. WINGO. There is a limitation of time. Does the gentleman mean a limitation of the amount?

Mr. CHALMERS. Yes.

Mr. WINGO. I do not think the amount ought to be limited, because they are not going to issue any more than they have to issue. This is really for the benefit of the joint-stock land banks. There is no use in deceiving yourselves. This is not going to benefit the Federal farm loan banks. If you will refer to the testimony of Mr. Lever you will find he said he believed they would be able to borrow at 5 per cent. I think they will, because since I addressed the committee I have referred to the current market report of this morning.

The last issue of Federal farm loan 5s, which have a 10-year option—and that is better than the 5-year option of the old issues—the market report states that on yesterday there was 100 bid and that the holders asked 101. I do not think we are going to have any trouble with the Federal farm loan cooperative banks, but the joint-stock land banks are absolutely facing the question whether they shall be able to go on doing any further business or whether they will have to go out of business. Now, that is all there is to it. I brought myself to this view of it, although I was opposed to it at first, but I think they ought not to shut them down at this time. Let them clean up and help the situation, because we are starting upward now. In passing I want to commend the statement that President Harding made to the country a day or two ago. He did the country a great service. The country listens to the President of the United States, and he pointed out certain facts that are of a cheerful nature and lead men to believe that the time has arrived when the country is starting upward and that a more stable financial condition is here. [Applause.]

Mr. McFADDEN. Mr. Chairman, I am not opposed to proper aid to the farmer. I realize that they are in a critical situation. They need credit, and need it badly, but this special piece of legislation is going to aid them like other legislation that we have passed for the farmer. I have in mind the emergency tariff bill. [Applause on the Democratic side.] This holds out a promise to the farmers that this is going to help them, but it is a false promise.

Let us look carefully and see what we are doing. The purpose of this bill is to aid the joint-stock land banks to sell their bonds at par, which bonds are now on the market at 92 to 94, and the law compels the banks to sell their bonds at par, and they must not charge the borrower more than 1 per cent or one-half of 1 per cent higher than the last bonds sold for in the market. And these banks figure that if this bill passes they will be able to sell this issue at par. Now, it has been stated by these people who are in favor of the passage of this bill that it is very questionable whether the joint-stock land banks should be permitted to function at all. It is certainly a fact that if their present assets were computed at their actual value they would show capital impairment at the present time. They are a private institution with the tax-exemption privilege, and I think we want to stop and think seriously about this proposition before we take a vote on this bill on that account.

This shortage of capital of the farmers is a circle proposition. For many years western and southern farmers have been depending on the eastern money market for loans. The fact that the Government has gone into the money market, the fact that the Government is loaning money abroad, the fact that it provides tax-exempted securities, has tended to make the big insurance companies and private individuals who made loans to the farmers in the West and in the South call in their loans because we have presented them a more attractive investment field. That is one reason why the farmers at this time are being

deprived of capital, because it is a well-known fact that the mortgages are being called and that the people who are calling them are investing the proceeds in tax-exempt bonds. The passage of legislation of this kind, in view of that situation, is to hold out aid that is problematical.

I doubt very much, if we pass this bill to-day, whether or not the joint-stock land banks will be able to sell their bonds at par, even with the additional authority. I think it is a question whether or not they will not be back here asking for relief from the Public Treasury and demanding that the Treasury buy an additional portion of their bonds. It has been stated by gentlemen here in debate that the War Finance Corporation is about to begin functioning and that several billion dollars' worth of securities are to be sold to the investing public. I have not the full facts on that, and I did not suppose that the War Finance Corporation was to issue securities; but if they are and they are to purchase railroad bonds now held by the Public Treasury, I can see no reason why the War Finance Corporation should not buy farm loan bonds as well. I seriously question the wisdom of that kind of legislation and procedure, because if the War Finance Corporation is permitted to function in that respect and is going to make these securities eligible for rediscount with the Federal reserve system when held by member banks—if we start in to inaugurate that kind of a system, we are going back to the wild expansion and inflation which we have been trying to do away with.

Mr. DAVIS of Tennessee. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. DAVIS of Tennessee. In view of the fact that the gentleman from Pennsylvania has admitted the depressed condition of the farmers and expressed sympathy for them and has admitted that the emergency tariff bill does not help them and has expressed opposition to this legislation, I would like to ask the gentleman what remedy he would propose to save the farmers from bankruptcy?

Mr. McFADDEN. I do not think it is a matter of legislation; I do not think we can remedy it by legislation. If we will allow things to get back to normal conditions, the farmer can get the money that he is entitled to have.

Mr. ARENTZ. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. ARENTZ. I think the gentleman from Pennsylvania is consistent, because it is my belief that putting hides on the free list was due to a letter that was sent around to his colleagues by the gentleman from Pennsylvania. So he is naturally consistent in being in opposition to the farmers. [Laughter.]

Mr. McFADDEN. I do not believe I stand in opposition to the farmer.

Mr. DOWELL. The gentleman is protesting that he is his friend.

Mr. McFADDEN. I believe in passing legislation that will be a real benefit to the farmer, and I think in leaving the free-hide question in the bill, if the gentleman wishes to discuss that, that we have done the farmer the greatest amount of good that it is possible for the Congress to render.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Be it enacted, etc., That the first paragraph of section 20 of the Federal farm loan act, as amended, be, and hereby is, amended to read as follows:

"Sec. 20. That bonds provided for in this act shall be issued in denominations of \$40, \$100, \$500, \$1,000, and such larger denominations as the Federal Farm Loan Board may authorize; they shall run for special minimum and maximum periods, subject to payment and retirement, at the option of the land bank, at any time after the minimum period specified in the bonds, which shall not be longer than 10 years from the date of their issue. They shall have interest coupons attached, payable semiannually, and shall be issued in series of not less than \$50,000, the amount and terms to be fixed by the Federal Farm Loan Board. They shall bear a rate of interest not to exceed 5½ per cent per annum.

With the following committee amendment:

On page 2, line 6, after the word "annum" insert "but no bonds issued or sold after June 30, 1923, shall bear a rate of interest to exceed 5 per cent per annum."

Mr. FESS. Mr. Chairman, I move to strike out the last word. When this bill came before the Committee on Rules I had read the statement of Judge Laddell in opposition to it. Having been a student of this character of legislation when it was up before the Congress in 1916, I took particular interest in it. I voted for the bill at that time, although I stated on the floor of the House when I did so that I did not think it would do any particular good to the State in which I live, but that there were other sections of the country that asked it, and I was of opinion that those sections would be benefited, and therefore voted for the bill. I have been afraid of much of the legislation along fiscal lines where there has been an effort on the part of the Government to create values that do not exist. It seems

to me that we ought to be quite careful to follow the economic lines, and we should not attempt by statutory enactment to make valuable a thing which economically is not valuable. A policy of that kind is not good even in time of emergency.

I have looked into the provisions of this bill, and I really can not see the basis of objection lodged against it originally. I note that Judge Laddell even wrote a letter that his first impressions, which were adverse, had been somewhat modified. I think that is a legitimate statement of the position of many men in time of emergency. In war time, when values were so very abnormal, there were many exchanges of title made and mortgages given on unpaid balances, and these unpaid balances were so high and products have fallen to such a degree, that the value of the security is less than the amount of the mortgage given on the unpaid balances. I think that explains the startling statement made during the debate on the tariff bill that our farm mortgages had increased from \$1,700,000,000 to over \$4,000,000,000.

When that statement was made it startled me, for I had not up to that time seen it, but I noticed afterwards that it was verified. In undertaking to ascertain why that is so, I have come to the conclusion that with the high level of prices of everything many exchanges were made and many large mortgages were given for unpaid balances, and while the land is here and probably the value is here, the bottom went out of everything else when the war was over, and prices shrank, as, say from \$1.90 for corn at that time to now about 34 cents. For that reason it strikes me that the farmer is in a pitiable situation, and if we can help him without violating economic principles, which would do him more harm than good, I am ready to do it.

Mr. BLANTON. Mr. Chairman, will the gentleman tell us whether he is supporting this bill? I do not catch his argument.

Mr. FESS. The gentleman will find out very soon. The gentleman is very aggressive to ascertain how other people stand. If the membership of the House will permit, I think this debate to-day has made a splendid contribution to one of the most imminent questions before the country, viz, the matter of tax-exempt securities. Some gentlemen have said that not until recently was there any objection to it. May I refer to a personal interest? As vice president of the constitutional convention of Ohio in 1912, I forced a reconsideration of the amendment that required the taxation of bonds in the State of Ohio, and did it in the face of the most tremendous fight which raged about that amendment that I know of in legislative history of which I have had anything to do. I think that the drift toward tax-exempt securities is not only unwise, but is seriously dangerous to the country. I agree with those who have thus spoken, that at this time that is not an argument against this bill.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. FESS. Mr. Chairman, I ask unanimous consent to proceed for three minutes more.

The CHAIRMAN. Is there objection?

Mr. BLANTON. Mr. Chairman, I reserve the right to object for a moment in order to state that I shall not object if the gentleman will tell us how he is going to vote on the bill.

Mr. KING. I can tell the gentleman from Texas how the gentleman from Ohio is going to vote. That is easily discerned from the gentleman's argument.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. FESS. We are making this more inviting than it was before. That is the purpose of it. If we carry that out logically and extend it, it is going to be a very serious question, because we are inviting investment in securities upon which there is no tax. That is the trouble now with our taxation system.

Mr. McFADDEN. Mr. Chairman, will the gentleman yield?

Mr. FESS. Yes.

Mr. McFADDEN. Is the gentleman aware that the State of California is now advertising for the purpose of getting ready to issue \$500,000,000 worth of tax-exempt bonds with which to develop water power in the State?

Mr. FESS. I was not aware of that. The general drift toward tax-exempt bonds makes it easier for States to issue them now than ever before, because they get a better market than they ever did before. I think it is very serious. Of course, no one will object to the issuance of the first Liberty bonds tax free, because it was in time of war, and it was just the beginning and we did not know how freely our investors would take the bonds. It is true that the rate of interest was not high, but they were made tax exempt. It was in time of war, the world was on fire, and we had to have the money, and I do not think anyone ought to criticize that policy at that time, but we must

not continue it. If this debate will call attention to the unwisdom of Congress further issuing this sort of security, and thus lead to a movement in the form of an amendment which the States shall ratify, taking away from the States the power so to issue tax-exempt bonds, a mighty good result will come from it.

Mr. PADGETT. Mr. Chairman, will the gentleman yield?

Mr. FESS. Yes.

Mr. PADGETT. The gentleman referred to its being a war policy to issue bonds exempt from taxation. It has always been the policy of the Federal Government to make its bonds exempt from taxation. It is not a war policy.

Mr. FESS. The gentleman does not mean that all of our "Liberties" are tax free?

Mr. PADGETT. They are free from taxes except Federal taxes on income.

Mr. GARNER. I think the gentleman means to say that all bonds in the past in time of peace and otherwise have been tax free.

Mr. PADGETT. Yes.

Mr. FESS. I did not understand the gentleman's question.

Mr. GARNER. I want to suggest this to the gentleman from Ohio in reference to what he suggests about a constitutional amendment. Does the gentleman believe that 36 States will ever agree to surrender the power to issue tax-free securities without the Federal Government at the same time surrendering its power to do so?

Mr. FESS. I do not think the States will agree. I remember very distinctly a gentleman appearing before the committee and the gentleman from Texas asking that specific question, and he said that the country through influence generally can induce the legislatures to agree to a tax-free amendment.

Mr. GARNER. I agree with the gentleman, but does not the gentleman think it is asking the States to go a long way when you ask them to surrender their power to exempt tax securities while at the same time the United States Government retains its power to issue tax-free securities?

Mr. FESS. That is not consistent, of course.

Mr. BLACK. Will the gentleman yield?

Mr. FESS. I will.

Mr. BLACK. I will ask the gentleman if he does not think it would be wise if we continue the joint-stock land banks as a part of the farm loan system to limit their loans to a much lower limit than they now have the power to loan?

Mr. FESS. I do; I very distinctly believe we ought to do so. I voted to report the bill from the Rules Committee, and shall now vote for it in the hope that it will assist the agricultural interests, which have been and are still the greatest sufferers from the liquidation of war conditions.

The CHAIRMAN. The time of the gentleman has expired.

Mr. ALMON. Mr. Chairman, in 1916, during the Democratic administration, we enacted a law creating a system of farm loan banks in order that the farmer could borrow his money from 20 to 35 years at a low rate of interest, the principal to be repaid in small annual payments, thus being relieved of all renewal charges after the first year.

It was intended to enable farmers to pay off mortgages on their farms and to enable those who did not own land to buy homes on long term installment plan at a low rate of interest, not more than 6 per cent per annum, and in that way to acquire a home in a number of years for less than rents would have cost them.

It is generally conceded that it is one of the best and most serviceable laws that has ever been enacted by Congress. This is admitted by many of our colleagues on the Republican side of this Chamber. It has operated in the interest of the farmer and will continue to do so, and, incidentally, all the people of the Nation.

There are two branches of this banking system. One is operated upon the cooperative basis and called the Federal land bank. There are 12 in number, and they receive Government aid. The other system is known as joint-stock land banks and capital is subscribed by private individuals. There are 23 joint-stock land banks.

They were greatly interrupted by war conditions, for the reason that farm loan bonds could not be negotiated to an advantage while the Government was floating Liberty bonds. Besides, they were virtually suspended for 14 months, while the constitutionality of the act was being contested in the courts by its enemies. But even with all these interruptions more than 125,000 farmers have secured loans through this system, amounting to \$450,000,000, the average loan being about \$3,000, which shows that the loans are being made to the small farmers.

The Federal land banks have loaned \$374,000,000. The joint-stock land banks have loaned \$75,000,000. So it is now provided that the farmer may borrow his money for a long period of time at a low rate of interest without paying commissions to anyone. The law forbids these banks charging the farmer a commission. It was expected that the establishment and operation of these banks would stabilize the rates of interest on all loans on farms throughout the country and put out of business the loan sharks who had been preying upon the farmers by charging high rates of interest and commissions. Much has been accomplished in this direction in many parts of the country.

The law provides for the issuance of bonds by these banks bearing a rate of interest not exceeding 5 per cent per annum. The farmers' mortgages are used as collateral security for the bonds, and when sold proceeds are used in making more loans to the farmers.

The purpose of the bill now under consideration is to authorize the issue of bonds by these banks for the next two years bearing a rate of interest not exceeding 5½ per cent.

It has been clearly shown by statements of the members of the Federal Farm Loan Board, and others, that on account of the condition of the money market at this time that it is necessary for such bonds to bear 5½ per cent interest in order to be able to float them. So it is emergency legislation.

These banks can not function as they should without this authority. Let us pass this bill to-day. There should be no delay in its enactment into law. It will not increase the rate of interest on loans made by the banks to the farmer.

Both systems of these banks now have a capital stock of about \$60,000,000.

We passed a bill recently which made provision for an increase of \$25,000,000 capital. We undertook to make a greater increase, but that was as much as the majority party was willing to provide for at this time.

Applications for loans on file at this time amount to about \$150,000,000. To meet the demands and needs of the farmer at this time it would be necessary to have a capital stock of \$150,000,000. While this bill will not give all the relief needed, and which we would like to see provided, still it will do much good. The demand for loans at present is unprecedented, and probably greater than will ever be again.

Complaint has been made during the debate to-day that favoritism is shown by making the bonds of the farm-loan bank tax exempt. Whoever heard of complaints about tax-exempt securities until the farmers were given some advantage by such securities?

More than fifteen billion tax-exempt securities have been floated, and these land banks have issued less than \$5,000,000 of such bonds. So there is no foundation for the charge that favoritism is being shown the farmers. This legislation will benefit the farmers, but in doing so it will also benefit merchants, bankers, professional men, and all other classes whose success and prosperity depends upon the farmer.

I was glad to aid in reviving the activities of the War Finance Corporation to assist in financing products for export. I favor that part of the bill now pending in the Senate directing the War Finance Corporation to loan the farm-loan bank \$100,000,000. The farmers did not realize on the cotton crop of 1920 one-third that it cost to produce it. The banks are holding the notes and mortgages of these farmers and need their money. It will require two or three years for some of them to pay out of debt. So it is all important just now to provide the farm-loan banks with as much money as possible, so that they can loan to the farmer and enable him to pay the banks and avoid foreclosure of his mortgage and bankruptcy.

The American farmers are in very bad financial condition and great distress, and have been since last fall when there was such a sudden and unexpected falling off in the price of agricultural products, due to want of a market and not overproduction. It is the duty of the Government to extend to them a helping hand. I have and will continue to support and vote for every measure that will give relief to the farmers who feed and clothe the world. [Applause.]

Mr. DAVIS of Tennessee. Mr. Chairman, I move to strike out the last two words.

I am for the bill under consideration because I believe it will afford some relief to the distressed farmers. It will enable many of them to procure much needed loans, and either save themselves from bankruptcy or be enabled to avoid selling their property at a great sacrifice. Taken as a whole, the farmers are perhaps experiencing the most trying and adverse conditions which they have ever undergone. They are not asking for any favors but simply a square deal.

Mr. Chairman and gentlemen, it is a curious inconsistent philosophy that prompts some Members of the House to wail out here against legislation which they say proposes to interfere with natural economic laws, such as they insist this bill does, but which I deny; and yet those same Members only a few days ago voted for the Fordney protective tariff bill, which was the climax of all legislation ever enacted in this country calculated to interfere with natural laws and economic conditions, and which will go further toward destroying the law of supply and demand and toward creating artificial values. In fact, that is the very purpose of the said tariff bill. It is all right as applied to the manufacturers of the country, but it is all wrong as applied to the agricultural interests, according to the philosophy of those gentlemen. I can not understand why it is that many dwellers in cities have any such one-sided ideas with respect to farm productivity and prosperity. The people who dwell in the cities, if they but knew it, are more interested than the farmer in maintaining farm production and at reasonable prices, because those who still remain upon the farm will certainly produce enough to feed themselves; but if we reach a point, which we will sooner or later reach, if conditions continue, that those remaining upon the farms are not sufficient to produce enough for themselves and the rest of the people, it will be the city dwellers who will suffer and not those still on the farms. It is not the farmers' problem, but is the public's problem; not merely an agricultural proposition, but a national proposition.

A hundred years ago about 95 per cent of our population was rural. Even as late as 1880 about 70 per cent of our population resided on farms and in unincorporated villages. Now, considerably more than a majority of our populace dwell in cities and incorporated towns. In other words, the country has moved to town by leaps and bounds, and an overwhelming majority of the immigrants have located in the cities and industrial centers. This movement to the city, which is proceeding at an alarming rate, is a direct and inevitable result of the high protective tariff policy, which has enriched manufacturers and built up populous centers at the expense of the agricultural population. This policy has so impoverished the farmers and has so drawn on the agricultural labor supply that it has become a very serious problem not only to the farmer but to the consumer as well.

The farmer produced his last crops under the most expensive conditions, but has been obliged to dispose of them at deflated prices or not at all, with the result that the farmers of the country have sustained to date a total loss of \$7,000,000,000. The farmer has not been getting a square deal. It is estimated that even in normal times the farmer only obtains 38 cents out of the industrial laborer's dollar, and that the industrial laborer only obtains 35 cents out of the farmer's dollar, but that business procures \$1.27 out of both dollars of the farmer and the industrial laborer.

According to statisticians, during the past year the farmers of the country, some 45,000,000, including their families, with an investment of \$80,000,000,000, not only made no return upon that investment or their labor but they operated at a loss, and during the same period of time the business interests of the country with only twice the investment of the farmers and with an infinitely less number employed made a profit of \$20,000,000,000. The industrial laborers of the country, who have no investment in their vocations, in normal times receive more per capita than do the farmers of the country. And yet whenever any legislation is proposed even to give the farmer a fair chance some Members get up and make the argument to which I have referred. [Applause.]

The CHAIRMAN. The time of the gentleman has expired. [Cries of "Vote!"]

The CHAIRMAN. The question is on the committee amendment.

The question was taken, and the committee amendment was agreed to.

Mr. McFADDEN. Mr. Chairman, I move that the committee do now rise and report the bill as amended, with the recommendation that the amendment be agreed to and that the bill as amended do pass.

The motion was agreed to.

Accordingly the committee rose; and Mr. TOWNER, having resumed the chair as Speaker pro tempore, Mr. SANDERS of Indiana, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having had under consideration the bill (S. 1811), had directed him to report the same back with an amendment, with the recommendation that the amendment be agreed to and that the bill as amended do pass.

Mr. McFADDEN. Mr. Speaker, I move the previous question on the bill and amendment to final passage.

The SPEAKER pro tempore. The previous question is ordered by the rule adopted by the House. The question is on the amendment.

The question was taken, and the amendment was agreed to. The bill was ordered to be read the third time; was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

Mr. GARRETT of Tennessee. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 234, nays 20, answered "present" 2, not voting 175, as follows:

YEAS—234.

Almon	Dupré	Larsen, Ga.	Rose
Andrews	Elliott	Larson, Minn.	Rosenbloom
Appleby	Evans	Lawrence	Rosendale
Arentz	Fairfield	Lazaro	Sanders, Ind.
Aswell	Favrot	Lea, Calif.	Sanders, Tex.
Bacharach	Fess	Leatherwood	Sandlin
Barkley	Fish	Lee, Ga.	Scott, Tenn.
Begg	Fisher	Lineberger	Sears
Bell	Focht	Little	Shaw
Benham	Foster	Logan	Shelton
Bird	Frear	Lowrey	Shreve
Bixler	Free	McClintic	Sinclair
Black	French	McCormick	Sinnott
Blanton	Frothingham	McDuffie	Sisson
Bowling	Fulmer	McKenzie	Smith, Idaho
Box	Funk	McLaughlin, Mich.	Smith, Mich.
Brand	Garner	McLaughlin, Nebr.	Smithwick
Briggs	Garrett, Tenn.	McPherson	Speaks
Brooks, Pa.	Garrett, Tex.	McSwain	Steagall
Brown, Tenn.	Gensman	Madden	Stedman
Buchanan	Gerner	Mansfield	Stephens
Burke	Goodykoontz	Mapes	Strong, Kans.
Burtess	Graham, Pa.	Martin	Summers, Wash.
Burton	Green, Iowa	Michener	Summers, Tex.
Butler	Greene, Mass.	Miller	Swank
Byrnes, S. C.	Griest	Mills	Sweet
Byrns, Tenn.	Griffin	Millsbaugh	Swing
Cable	Hadley	Mondell	Taylor, Tenn.
Campbell, Kans.	Hammer	Montoya	Temple
Campbell, Pa.	Hardy, Colo.	Moore, Va.	Ten Eyck
Cannon	Hardy, Tex.	Morgan	Thomas
Cantrill	Haugen	Mott	Thompson
Carew	Hawley	Murphy	Tillman
Carter	Hayden	Nelson, A. P.	Timberlake
Chalmers	Hays	Nelson, J. M.	Tincher
Chandler, N. Y.	Hersey	Newton, Minn.	Towner
Chandler, Okla.	Hickey	Newton, Mo.	Treadway
Clague	Hicks	O'Connor	Tyson
Clarke, N. Y.	Hoch	Oldfield	Vestal
Clouse	Hukriede	Oliver	Vinson
Cole, Iowa	Hull	Overstreet	Voigt
Cole, Ohio	Hutchinson	Padgett	Volstead
Collier	Ireland	Park, Ga.	Ward, N. C.
Collins	Jacoway	Parks, Ark.	Weaver
Colton	Jeffers, Nebr.	Parrish	Webster
Connally, Tex.	Jeffers, Ala.	Pringley	White, Kans.
Connell	Johnson, Ky.	Purnell	White, Me.
Connolly, Pa.	Johnson, Miss.	Quin	Williams
Cooper, Wis.	Jones, Tex.	Raker	Wilson
Coughlin	Kincheloe	Ramseyer	Wingo
Crisp	King	Rankin	Wise
Crowther	Kinkaid	Rayburn	Wood, Ind.
Curry	Kissel	Reavis	Woodruff
Darrow	Kilne, N. Y.	Reece	Wright
Davis, Minn.	Kilne, Pa.	Rhodes	Wurzbach
Davis, Tenn.	Kopp	Ricketts	Yates
Denison	Kraus	Roach	Young
Dowell	Lanham	Robison	
Dunn	Lankford	Rodenberg	

NAYS—20.

Ackerman	Elston	McFadden	Ransley
Ansorge	Gorman	Moore, Ind.	Robertson
Dale	Greene, Vt.	Norton	Rogers
Dunbar	Hill	Perkins	Ryan
Echols	Lehlbach	Radcliffe	Sproul

ANSWERED "PRESENT"—2.

Herrick Walters

NOT VOTING—175.

Anderson	Cockran	Freeman	Keller
Anthony	Codd	Fuller	Kelley, Mich.
Atkeson	Cooper, Ohio	Gahn	Kelly, Pa.
Bankhead	Copley	Gallivan	Kendall
Barbour	Cramton	Gilbert	Kennedy
Beck	Cullen	Glynn	Ketcham
Beedy	Dallinger	Goldsborough	Kiess
Blakeney	Deal	Gould	Kindred
Bland, Ind.	Dempsey	Graham, Ill.	Kirkpatrick
Bland, Va.	Dickinson	Harrison	Kitchin
Boles	Dominick	Hawes	Klecza
Bond	Doughton	Himes	Knight
Bowers	Drane	Hogan	Knutson
Brennan	Drewry	Houghton	Kreider
Brinson	Driver	Huddleston	Kunz
Britten	Dyer	Hudspeth	Lampert
Brooks, Ill.	Edmonds	Humphreys	Langley
Browne, Wis.	Ellis	Husted	Layton
Bulwinkle	Fairchild	James, Mich.	Lee, N. Y.
Burdick	Faust	James, Va.	Linthicum
Burrighs	Fenn	Johnson, S. Dak.	London
Chidbloom	Fields	Johnson, Wash.	Longworth
Christopherson	Fitzgerald	Jones, Pa.	Luce
Clark, Fla.	Flood	Kahn	Luhning
Classon	Fordney	Kearns	Lyon

McArthur	Paige	Sabath	Tilson
McLaughlin, Pa.	Parker, N. J.	Sanders, N. Y.	Tinkham
MacGregor	Parker, N. Y.	Schall	Underhill
Magee	Patterson, Mo.	Scott, Mich.	Upshaw
Maloney	Patterson, N. J.	Siegel	Valle
Mann	Perlman	Slomp	Vare
Mead	Peters	Snell	Volk
Merritt	Petersen	Snyder	Walsh
Michaelson	Porter	Stafford	Ward, N. Y.
Montague	Pou	Steenerson	Wason
Moore, Ill.	Rainey, Ala.	Stevenson	Watson
Moore, Ohio	Rainey, Ill.	Stiness	Wheeler
Morin	Reber	Stoll	Williamson
Mudd	Reed, N. Y.	Strong, Pa.	Winslow
Nolan	Reed, W. Va.	Sullivan	Woods, Va.
O'Brien	Riddick	Tague	Woodyard
Ogden	Riordan	Taylor, Ark.	Wyant
Olpp	Rouse	Taylor, Colo.	Zihlman
Osborne	Rucker	Taylor, N. J.	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. DRIVER (for) with Mr. WALTERS (against).

Mr. UPSHAW (for) with Mr. VARE (against).

Mr. GOLDSBOROUGH (for) with Mr. LUCE (against).

Until further notice:

Mr. JOHNSON of South Dakota with Mr. KITCHIN.

Mr. BROOKS of Illinois with Mr. MONTAGUE.

Mr. FULLER with Mr. KUNZ.

Mr. ATKESON with Mr. DOUGHTON.

Mr. FAUST with Mr. BANKHEAD.

Mr. GRAHAM of Illinois with Mr. TAGUE.

Mr. REBER with Mr. O'BRIEN.

Mr. PATTERSON of Missouri with Mr. DEAL.

Mr. MAGEE with Mr. HAWES.

Mr. KAHN with Mr. TAYLOR of Arkansas.

Mr. STINESS with Mr. COCKRAN.

Mr. WINSLOW with Mr. RIORDAN.

Mr. ELLIS with Mr. RAINEY of Alabama.

Mr. PARKER of New Jersey with Mr. SABATH.

Mr. BLAKENEY with Mr. DREWY.

Mr. TAYLOR of New Jersey with Mr. GALLIVAN.

Mr. CHINDBLOM with Mr. SULLIVAN.

Mr. PORTER with Mr. HUDSPETH.

Mr. PATTERSON of New Jersey with Mr. LONDON.

Mr. WHEELER with Mr. BRINSON.

Mr. BLAND of Indiana with Mr. JAMES of Virginia.

Mr. SIEGEL with Mr. WOODS of Virginia.

Mr. OLPP with Mr. BULWINKLE.

Mr. EDMONDS with Mr. CULLEN.

Mr. ANTHONY with Mr. STEVENSON.

Mr. JOHNSON of Washington with Mr. LYON.

Mr. VOLK with Mr. TAYLOR of Arkansas.

Mr. LANGLEY with Mr. CLARK of Florida.

Mr. PAIGE with Mr. DOMINICK.

Mr. OSBORNE with Mr. STOLL.

Mr. PERLMAN with Mr. HARRISON.

Mr. WALSH with Mr. FLOOD.

Mr. BOISE with Mr. RAINEY of Illinois.

Mr. ANDERSON with Mr. BLAND of Virginia.

Mr. GOULD with Mr. RUCKER.

Mr. CHRISTOPHERSON with Mr. GILBERT.

Mr. KNIGHT with Mr. FIELDS.

Mr. REED of West Virginia with Mr. HUDDLESTON.

Mr. HOGAN with Mr. LINTHICUM.

Mr. WYANT with Mr. KINDRED.

Mr. KIESS with Mr. DRANE.

Mr. UNDERHILL with Mr. MEAD.

Mr. WILLIAMSON with Mr. POU.

Mr. BURROUGHS with Mr. HUMPHREYS.

Mr. WALTERS. Mr. Speaker, I voted "nay," but I find I am paired with the gentleman from Arkansas [Mr. DRIVER], and I therefore wish to withdraw my vote and answer "present."

The result of the vote was announced as above recorded.

On motion of Mr. McFADDEN, a motion to reconsider the vote by which the bill was passed was laid on the table.

Mr. McFADDEN. Mr. Speaker, I ask unanimous consent that all gentlemen who have spoken on this bill have the right to extend their remarks in the RECORD.

The SPEAKER pro tempore. The gentleman from Pennsylvania asks unanimous consent that all gentlemen who have spoken on this bill have the right to extend their remarks in the RECORD. Is there objection?

Mr. BLANTON. Mr. Speaker, will the gentleman limit that to five legislative days?

Mr. McFADDEN. I will.

The SPEAKER pro tempore. The Chair hears no objection.

VETERANS' BUREAU—CONFERENCE REPORT.

Mr. SWEET. Mr. Speaker, I call up for consideration the conference report on the bill (H. R. 6611) to establish in the

Treasury Department a veterans' bureau and to improve the facilities and service of such bureau, and further to amend and modify the war risk insurance act.

The SPEAKER pro tempore. The gentleman from Iowa calls up the conference report as stated. The Clerk will report it.

The conference report was read, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6611) to establish in the Treasury Department a veterans' bureau and to improve the facilities and service of such bureau, and further to amend and modify the war risk insurance act, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 13, 14, 15, 16, 18, 22, 23, 26, 28, 38, 46, 53, 54, 56, 57, 59, 61, and 62.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 20, 21, 24, 25, 27, 29, 30, 31, 32, 34, 35, 36, 39, 40, 41, 42, 43, 44, 45, 47, 48, 49, 50, 51, 52, 58, 60, 63, 64, 65, 66, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, and 82; and agree to the same.

Amendment numbered 12: That the House recede from its disagreement to the amendment of the Senate numbered 12, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert a comma; and the Senate agree to the same.

Amendment numbered 17: That the House recede from its disagreement to the amendment of the Senate numbered 17, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert a colon and the following:

"Provided, That all commissioned personnel detailed or hereafter detailed from the United States Public Health to the veterans' bureau shall hold the same rank and grade, shall receive the same pay and allowances, and shall be subject to the same rules for relative rank and promotion as now or hereafter may be provided by law for commissioned personnel of the same rank or grade or performing the same or similar duties in the United States Public Health Service."

And the Senate agree to the same.

Amendment numbered 19: That the House recede from its disagreement to the amendment of the Senate numbered 19, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "pending final action by the director in case of an appeal" and a comma; and the Senate agree to the same.

Amendment numbered 33: That the House recede from its disagreement to the amendment of the Senate numbered 33, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert the following:

"In the event Government hospital facilities and other facilities are not thus available or are not sufficient, the director may contract with State, municipal, or private hospitals for such medical, surgical, and hospital services and supplies as may be required, and such contracts may be made for a period of not exceeding five years and may be for the use of a ward or other hospital unit or on such other basis as may be in the best interest of the beneficiaries under this act."

And the Senate agree to the same.

Amendment numbered 37: That the House recede from its disagreement to the amendment of the Senate numbered 37, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert a colon and the following:

"Provided, That the offender shall have the right to appeal the decision involving the forfeiture of a part of his compensation to a board of three persons which shall be established and appointed by the director in September of each year for each regional district. Such board shall be known as the board on discipline and morale. It shall serve without compensation, and at least one of the members of such board shall be an ex-service man and a member of some war veterans' organization. No person who is in the employ of the United States shall be a member of such board. The decision of such board, after hearing all the evidence presented by the offender and those charging a breach of the rules and regulations, shall be final."

And the Senate agree to the same.

Amendment numbered 55: That the House recede from its disagreement to the amendment of the Senate numbered 55, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"That for the purposes of this section every such officer, enlisted man, or other member employed in the active service under the War Department or Navy Department who was dis-

charged or who resigned prior to the date of approval of this amendatory act, and every such officer, enlisted man, or other member employed in the active service under the War Department or Navy Department on or before November 11, 1918, who hereafter is discharged or resigns, shall be held and taken to have been in sound condition when examined, accepted, and enrolled for service, except as to defects, disorders, or infirmities, made of record in any manner by proper authorities of the United States at the time of, or prior to, inception of active service, to the extent to which any such defect, disorder, or infirmity was so made of record: *Provided further*, That an ex-service man who is shown to have an active pulmonary tuberculosis or neuropsychiatric disease (of more than 10 per cent degree of disability in accordance with the provisions of subdivision (2) of section 302 of the war risk insurance act, as amended) developing within two years after separation from the active military or naval service of the United States shall be considered to have acquired his disability in such service, or to have suffered an aggravation of a preexisting pulmonary tuberculosis or neuropsychiatric disease in such service, but nothing in this proviso shall be construed to prevent a claimant from receiving the benefits of compensation and medical care and treatment for a disability due to these diseases of more than 10 per cent degree (in accordance with the provisions of subdivision (2) of section 302 of the war risk insurance act, as amended) at a date more than two years after separation from such service, if the facts of the case substantiate his claim. This section shall be deemed to be in effect as of April 6, 1917."

And the Senate agree to the same.

Amendment numbered 67: That the House recede from its disagreement to the amendment of the Senate numbered 67, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"SEC. 406. Whenever benefits under United States Government life insurance (converted insurance) become or have become payable because of total permanent disability of the insured or because of the death of the insured as a result of disease or injury traceable to the extra hazard of the military or naval service as such hazard may be determined by the director, the liability shall be borne by the United States, and the director is hereby authorized and directed to transfer from the military and naval insurance appropriation to the United States Government life insurance fund a sum which, together with the reserve of the policy at the time of maturity by total permanent disability or death, will equal the then value of such benefits. When a person receiving total permanent disability benefits under a United States Government life policy (converted policy) recovers from such disability and is then entitled to continue a reduced amount of insurance, the director is hereby authorized and directed to transfer to the military and naval insurance appropriation all of the loss reserve to the credit of such policy claim except a sum sufficient to set up the then required reserve on the reduced amount of insurance that may be continued, which sum shall be retained in the United States Government life insurance fund for the purpose of such reserve."

And the Senate agree to the same.

Amendment numbered 83: That the House recede from its disagreement to the amendment of the Senate numbered 83, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following on page 18, after line 10, of the bill:

"SEC. 22. A new section is hereby added to Article III of the war risk insurance act to be known as section 315, and to read as follows:

"SEC. 315. That no person admitted into the military or naval forces of the United States after six months from the passage of this amendatory act shall be entitled to the compensation or any other benefits or privileges provided under the provisions of Article III of the war risk insurance act, as amended."

And the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate to the title of the bill; and agree to the same.

SAMUEL E. WINSLOW,
JAMES S. PARKER,
BURTON E. SWEET,
ALBEN W. BARKLEY,
SAM RAYBURN,

Managers on the part of the House.

REED SMOOT,
WILLIAM M. CALDER,
DAVID I. WALSH,

Managers on the part of the Senate.

STATEMENT.

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6611) to establish in the Treasury Department a veterans' bureau, and to improve the facilities and service of such bureau, and further to amend and modify the war risk insurance act, submit the following written statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

On amendment No. 1: This amendment strikes out the words "in the Treasury Department" and inserts the words "an independent," and the House recedes.

On amendment No. 2: This amendment inserts the words "under the President," and the House recedes.

On amendment No. 3: This amendment strikes out the words "an Assistant Secretary of the Treasury in addition to those otherwise provided by law" and inserts the words "appointed by the President, by and with the advice and consent of the Senate," and the House recedes.

On amendment No. 4: This amendment strikes out the word "and" and inserts the words "the director of the veterans' bureau," and the House recedes.

On amendment No. 5: This amendment strikes out the words "at the rate," and the House recedes.

On amendment No. 6: This amendment inserts the words "payable monthly," and the House recedes.

On amendment No. 7: This amendment inserts the words "now in the Treasury Department," and the House recedes.

On amendment No. 8: This amendment strikes out the words "director of the veterans' bureau" and inserts the words "director, subject to the general direction of the President"; and the House recedes.

On amendment No. 9: This amendment inserts the word "said"; and the House recedes.

On amendment No. 10: This amendment strikes out the word "that" and inserts the word "and"; and the House recedes.

On amendment No. 11: This amendment strikes out the words "Secretary of the Treasury" and inserts the word "President"; and the House recedes.

On amendment No. 12: This amendment strikes out the word "but" and inserts in lieu thereof a comma; and the House recedes, with amendment.

The action of the conferees on amendments Nos. 1 to 12, inclusive, adopts the consolidation policy of the House bill and provides that the governmental organizations for the benefit of the disabled ex-service men shall be consolidated in an independent bureau under the President. This amendment also provides that the director of the veterans' bureau shall be appointed by the President, by and with the advice and consent of the Senate. The salary of the director is left at \$10,000 per annum, the same as in the House bill.

On amendment No. 13: This amendment provides that the Federal Board for Vocational Education shall be abolished and all the powers and duties vested in such board shall be exercised by the director of the veterans' bureau. Section 3 of the House bill provides that the functions, powers, and duties conferred by existing law upon the Bureau of War Risk Insurance and the rehabilitation division of the Federal Board for Vocational Education shall be transferred to and made a part of the veterans' bureau. The House provision simply placed in the new bureau the rehabilitation division of the Federal Board for Vocational Education, which relates solely to vocational training for disabled ex-service men. The Senate amendment provides for transferring to the new bureau, not only the rehabilitation division which relates to vocational training for disabled ex-service men, but also the duties and powers vested in such board which relates to the promotion of vocational education in agriculture and the trades and industries, and cooperation with the States in the preparation of teachers of vocational subjects. The Senate amendment also transfers to the veterans' bureau the powers and duties vested in the board relative to vocational rehabilitation of persons disabled in industry or otherwise and their return to civil employment. The Senate amendment would transfer to this bureau duties and powers of the board which do not in any manner relate to the rehabilitation of disabled ex-service men. The veterans' division is established for the purpose of administering all governmental agencies which have to do with the veterans of the World War; and the Senate recedes.

On amendment No. 14: This amendment provides that the powers and duties conferred, the appropriations made, and the rights of property acquired, and the obligation incurred under the hospitalization act of March 4, 1921, as amended, shall be transferred to the veterans' bureau. The Senate amendment

transfers to the veterans' bureau \$18,600,000 for the construction and remodeling of hospitals provided for in what is known as the Langley bill. The original act provided that the building and remodeling of hospitals should be performed under the direction of the Secretary of the Treasury. The Treasury Department heretofore has had supervision over the construction of our public buildings. It would appear there is no good reason why a change should be made at this time, especially in view of the fact that the Treasury Department has already spent about six months in preparing plans and selecting sites; and the Senate recedes.

On amendment No. 15: This amendment was made necessary after the Senate had adopted amendment No. 13 abolishing the Federal Board for Vocational Education, and transferring the powers and duties of the board to the veterans' bureau; and the Senate recedes.

On amendment No. 16: This amendment was made necessary after the Senate had adopted amendment No. 13 abolishing the Federal Board for Vocational Education, and transferring the powers and duties of the board to the veterans' bureau; and the Senate recedes.

On amendment No. 17: This amendment strikes from the House bill the provisions in regard to the commissioned personnel of the United States Public Health Service, which has been detailed or may hereafter be detailed to the veterans' bureau. The House recedes, with an amendment, striking out the words "and such other personnel as shall be added from time to time when such added personnel is employed for the same purpose and for performing the same or similar duties." The provision as it now stands provides that all commissioned personnel detailed or hereafter detailed from the United States Public Health Service to the veterans' bureau shall hold the same rank and grade and shall receive the same pay and allowances and shall be subject to the same rules for relative rank and promotion as now or hereafter may be provided by law for commissioned personnel of the same rank or grade or performing the same or similar duties in the United States Public Health Service.

On amendment No. 18: This amendment was made necessary after the Senate had adopted amendment No. 13 relative to abolishing the Federal Board for Vocational Education and transferring the powers and duties of the board to the veterans' bureau; and the Senate recedes.

On amendment No. 19: This amendment gives the director the power to review the acts of the regional offices and sub-offices, and the House recedes with an amendment. The provision as it now stands gives the director the power to review the acts of the regional offices and sub-offices in case of an appeal under such rules and regulations as may be prescribed by the director. In other words, in case an appeal is not taken from the action taken at the regional office the action taken at the regional office will be final.

On amendment No. 20: This amendment provides that the director can terminate any regional office or suboffice when in his judgment this may be done without detriment to the administration of the act. The House bill provides that the regional offices and suboffices, with all authority to establish such offices, shall terminate on June 30, 1926. With this provision in the law the director is given authority to terminate any regional office or suboffice when in his judgment this may be done without detriment to the administration of the act; and the House recedes.

On amendment No. 21: This amendment is a clerical change and refers to appropriations made after the act goes into effect; and the House recedes.

On amendment No. 22: This amendment is a clerical change; and the Senate recedes.

On amendment No. 23: This amendment was made necessary by the Senate adopting amendment No. 13, abolishing the Federal Board for Vocational Education and transferring the powers and duties of the board to the veterans' bureau; and relates to the act providing for cooperation with the States in the promotion of education in agriculture, trades, and industry, approved February 23, 1917; and the Senate recedes.

On amendment No. 24: This amendment is made necessary because the veterans' bureau will be under the President and not located in the Treasury Department. It strikes out the words "Secretary of the Treasury" and inserts in lieu thereof the word "President"; and the House recedes.

On amendment No. 25: This amendment is made necessary because the veterans' bureau will be located under the President and not in the Treasury Department; and the House recedes.

On amendment No. 26: This amendment relates to the director inspecting private agencies that are doing hospital work for the veterans' bureau; and the Senate recedes.

On amendment No. 27: This amendment provides that the head of the inspection service relative to hospitalization shall report to the director in the manner the director may prescribe the result of each examination of facilities and service, and shall recommend to him methods of standardizing such facilities and service; and the House recedes.

On amendment No. 28: This amendment limits the work to be done in hospitalization, medical care and treatment for the beneficiaries of the veterans' bureau to the limits of appropriations made for carrying out the provisions of the paragraph. The House bill contained no such limitations; and the Senate recedes.

On amendment No. 29: This amendment is a clerical change; and the House recedes.

On amendment No. 30: This amendment is practically the same as the House provisions. It is simply a question of wording; and the House recedes.

On amendment No. 31: This amendment provides that the property and structures which may be acquired for hospitalization shall become a part of the permanent equipment of the veterans' bureau, or of some one of the now existing agencies of the Government. The House bill provided that the permanent equipment acquired for hospitalization purposes shall become a part of the permanent equipment of the now existing agencies of the Government. This amendment simply adds the veterans' bureau; and the House recedes.

On amendment No. 32: This amendment is a clerical change; and the House recedes.

On amendment No. 33: This amendment strikes out the provisions of the House bill, which provide that the director of the veterans' bureau may contract with State, municipal, and private hospitals for such medical, surgical, and hospital services and supplies as may be required in the best interest of the beneficiaries under this act. The House recedes, with an amendment. The House bill provides that such contracts may be made for a period not exceeding 10 years. The amendment strikes out the word "ten" and inserts the word "five." With the exception of this amendment the provisions are now the same as in the House bill.

On amendment No. 34: This amendment provides that the President is authorized, if he deems necessary and advisable for the proper medical care and treatment of the beneficiaries under the act, to transfer to the director the operation, management, and control of specifically designated hospitals now under the jurisdiction of the United States Public Health Service, such hospitals when transferred to be used exclusively for the beneficiaries under this act, and shall be under the operation and control of the director for such period of time as the President may prescribe; and the House recedes.

On amendment No. 35: This amendment provides that nothing in section 10 shall be construed to authorize a travel allowance to clerks or persons for transportation or subsistence outside of the district in which they are employed. In other words, this provision will guard against unusual and unnecessary travel allowance and subsistence expenses being incurred; and the House recedes.

On amendment No. 36: This amendment provides that the penalties for the breach of the rules and regulations prescribed by the director for maintaining proper discipline at the hospitals shall not extend to a forfeiture by the offender of a portion of his compensation without an appeal to the director of the veterans' bureau; and the House recedes.

On amendment No. 37: This amendment relates to an appeal from the decision of the hospital authorities or the director involving a forfeiture of a part of the offender's compensation to a board of three persons. The House recedes, with an amendment, striking out the words "Before any penalty for a breach of the rules and regulations which may be held to extend to a forfeiture by the offender of a part of his compensation shall be executed." The decision of such a board, after hearing of the evidence presented by the offender and those charging a breach of the rules and regulations, shall be final. This amendment is a part of section 11, which has reference to discipline in the hospitals.

On amendment No. 38: This amendment provides that if any inmate of a hospital maintained by the United States shall be ordered to undergo an operation, his protest, together with all the facts in the case, shall be submitted to the board of appeals hereinafter provided for. The ex-service man in a Government or private hospital can not be ordered to undergo an operation without his consent. This amendment appears to be unnecessary; and the Senate recedes.

On amendment No. 39: This amendment is a clerical change; and the House recedes.

On amendment No. 40: This amendment does not materially change the House provisions. It is simply a question of wording; and the House recedes.

On amendment No. 41: This amendment relates to an aggravation of a preexisting injury specifically noted at examination for entrance into or employment in the active military or naval service. It makes no material change in the House bill or the present law; and the House recedes.

On amendment No. 42: This amendment makes no material change in the House bill or the present law; and the House recedes.

On amendment No. 43: This amendment provides that a wound or injury received or disease contracted or an aggravation of a preexisting injury or disease for which hospital, medical, dental, surgical, and convalescent care and treatment and prosthetic appliances shall be furnished shall have been incurred in line of duty. This provision makes no material change in the provisions of the House bill. It is more in detail than the House bill; and the House recedes.

On amendment No. 44: This amendment is a clerical change made necessary by the adoption of amendment No. 43; and the House recedes.

On amendment No. 45: This amendment is a clerical change; and the House recedes.

On amendment No. 46: This amendment provides that no applicant who waived any right to exemption on account of an injury or disease, upon admission to the military or naval forces of the United States, shall be entitled to the benefits of this section in case of an aggravation of such injury or disease incurred in line of duty. The provision last aforesaid shall not apply to officers, enlisted men, or members of the military or naval forces assigned to combat service. This provision would be difficult of administration, and would appear to be unnecessary; and the Senate recedes.

On amendment No. 47: This amendment is a clerical change; and the House recedes.

On amendment No. 48: This amendment provides that the director in filing his report with the Clerk of the House and the Secretary of the Senate shall set forth the nature and terms of all contracts made under the authority of this act, and the names and principal place of business of the parties thereto. It simply requires the director to make a more elaborate report than required by the House provisions; and the House recedes.

On amendment No. 49: This amendment provides that any person who shall knowingly make or cause to be made or conspire, combine, aid or assist in, agree to, arrange for, or in any wise procure the making of a false or fraudulent affidavit, declaration, certificate, statement, voucher, or other paper in connection with his claim for compensation shall be fined not more than \$1,000 or imprisoned for not more than one year, or by both such fine and imprisonment for each such offense. It would appear that some such provision is necessary and salutary in the administration of the act; and the House recedes.

On amendment No. 50: This amendment is a clerical change. The word "President" is stricken out and the word "director" inserted; and the House recedes.

On amendment No. 51: This amendment does not change the intent of the House provision. It is a rewording; and the House recedes.

On amendment No. 52: This amendment does not change the intent of the House provision. It is simply a rewording; and the House recedes.

On amendment No. 53: This amendment is a clerical change; and the Senate recedes.

On amendment No. 54: This amendment strikes out the words "or aggravation has been caused by his own willful misconduct" and insert the words "was intentionally contracted or aggravated." The language used in the House bill—"caused by his own willful misconduct"—has appeared in almost every pension and war risk insurance act passed by Congress. It has been repeatedly construed, and it is not deemed wise to make the change proposed by the Senate amendment; and the Senate recedes.

On amendment No. 55: This amendment limits the presumption of soundness of men accepted for service. The wording of the House bill excludes from the presumption of soundness those who entered the service after November 11, 1918, and who have suffered injury and have already been discharged. It also provides that in case of pulmonary tuberculosis or neuropsychiatric disease developing within two years after separation from the active military or naval service of the United States, the ex-service man shall be considered to have acquired his disability in the service; and the House recedes, with an amendment. It has been difficult for many young men in cases of pulmonary tuberculosis and neuropsychiatric diseases to prove

that their disability had been acquired while in the active service. The amendment gives the ex-service man the benefit of the presumption that if he develops pulmonary tuberculosis or any neuropsychiatric disease within two years after separation from the active military or naval service, he shall be considered to have acquired his disability in the service. The amendment also provides that at a date more than two years after separation from such service, if the facts of the case substantiate his claim he will be entitled to compensation, providing his disability is rated at more than 10 per cent, in accordance with the provisions of subdivision 2 of section 302 of the war risk insurance act, as amended.

On amendment No. 56: This amendment provides that if a disabled person is so helpless as to be in constant need of a nurse or attendant, such additional sum shall be paid, but not exceeding \$50 per month, as the director may deem reasonable. The law now provides \$20 per month, and this proposed amendment would increase the amount from \$20 to \$50 per month; and the Senate recedes.

On amendment No. 57: This amendment is a clerical change; and the Senate recedes.

On amendment No. 58: This amendment simply adds the words "but not earlier than the date of discharge or resignation." No person is entitled to compensation under the war risk insurance act until after separation from the service; and the House recedes.

On amendment No. 59: This amendment is a clerical change; and the Senate recedes.

On amendment No. 60: This amendment is a clerical change; and the House recedes.

On amendment No. 61: This amendment is a clerical change; and the Senate recedes.

On amendment No. 62: This amendment provides that in case of a reassignment by the Government to a beneficiary or his personal representatives of a cause of action against a third party the beneficiary must waive all claims to compensation against the United States under this act or any amendments thereto. It appears that this amendment is unnecessary and would in a measure defeat the purposes of the paragraph amended; and the Senate recedes.

On amendment No. 63: This amendment is a clerical change; and the House recedes.

On amendment No. 64: This amendment is a clerical change; and the House recedes.

On amendment No. 65: This amendment is a clerical change; and the House recedes.

On amendment No. 66: This amendment strikes out all of section 406, and the section is reworded in amendment No. 67; and the House recedes.

On amendment No. 67: This amendment rewords section 406 in accordance with suggestions received from the Secretary of the Treasury and the Secretary of War; and the House recedes with an amendment. Under the original war risk insurance act it was specifically provided that the United States should bear the extra hazards of war. It was also specifically provided that any man carrying term insurance could convert it at any time without medical examination. The act of December 24, 1919, established for converted insurance a trust fund, to which the Government contributes nothing and which is made up wholly of the insurance premiums paid by the insured. The converted insurance premiums are figured out on a proper insurance actuarial basis and the fund is self-sustaining. Inasmuch as a policyholder had a right to convert his term insurance at any time, it was found that many policyholders, in very bad shape because of war hazards, converted their insurance three or four months before death. Then when they died the entire insurance was payable not by the United States but out of the United States Government life insurance fund. In other words, instead of the Government bearing the excess hazard, this matured trust fund, to which all the soldiers were paying premiums and in which they had a particular interest, because the smaller the loss the greater the dividends, was in fact bearing the unusual hazards. This section is proposed to correct this situation. The amendment also provides that where the entire loss is paid out of the military and naval appropriations, then so much premiums as may have been paid into the converted fund on that particular policy shall be credited to the military and naval appropriations.

On amendment No. 68: This amendment is a clerical change; and the House recedes.

On amendment No. 69: This amendment makes section 407 of the war risk insurance act retroactive to October 6, 1917; and the House recedes.

On amendment No. 70: This amendment is a clerical change; and the House recedes.

On amendment No. 71: This amendment is a clerical change; and the House recedes.

On amendment No. 72: This amendment is a clerical change; and the House recedes.

On amendment No. 73: This amendment is a clerical change; and the House recedes.

On amendment No. 74: This amendment is a clerical change; and the House recedes.

On amendment No. 75: This amendment is a clerical change; and the House recedes.

On amendment No. 76: This amendment is a clerical change; and the House recedes.

On amendment No. 77: This amendment is a clerical change; and the House recedes.

On amendment No. 78: This amendment provides that all premiums, the payment of which when due is waived, shall bear interest at the rate of 5 per cent per annum compounded annually from the due date of each premium; and if not paid by the insured, shall be deducted from the insurance either because of total permanent disability or death; and the House recedes.

On amendment No. 79: This amendment is a clerical change; and the House recedes.

On amendment No. 80: This amendment strikes out the words "Secretary of the Treasury" and inserts the words "director of the veterans' bureau." This change is made necessary owing to the fact that the bureau is under the President, instead of in the Treasury Department; and the House recedes.

On amendment No. 81: This amendment strikes out the words "Secretary of the Treasury" and inserts the words "Treasurer of the United States." This is a clerical change; and the House recedes.

On amendment No. 82: This amendment is a clerical change; and the House recedes.

On amendment No. 83: This amendment adds a new section to the bill and will appear as section 22 of this bill. In the war risk insurance act it will be a new section added to Article III, to be known as section 315, and to read as follows:

"Sec. 315. That no person admitted into the military or naval forces of the United States after six months from the passage of this amendatory act shall be entitled to the compensation or any other benefits or privileges provided under the provisions of Article III of the war risk insurance act, as amended."

The House recedes with an amendment.

This amendment simply provides that after six months from the passage of this amendatory act no person admitted into the military or naval forces of the United States shall be entitled to compensation or any other benefits or privileges provided under the provisions of Article III of the war risk insurance act, as amended.

The House recedes from its disagreement to the amendment of the Senate to the title of the bill, and agrees to the same. This amendment to the title of the bill is made necessary by reason of the veterans' bureau being placed under the President and not in the Treasury Department, as provided in the House bill.

SAMUEL E. WINSLOW,
JAMES S. PARKER,
BURTON E. SWEET,
ALBEN W. BARKLEY,
SAM RAYBURN,

Managers on the part of the House.

The SPEAKER pro tempore. The gentleman from Iowa is recognized.

Mr. SWEET. Mr. Speaker, I yield five minutes to the gentleman from Ohio [Mr. Fess].

Mr. GARRETT of Tennessee. Mr. Speaker, will the gentleman yield to me for a moment?

Mr. SWEET. Yes.

Mr. GARRETT of Tennessee. I understand that this is a complete and unanimous report?

Mr. SWEET. It is.

Mr. GARRETT of Tennessee. The Senate has corrected the mistake it made yesterday in its passage?

Mr. SWEET. It has.

Mr. GARRETT of Tennessee. What is there to do except adopt this conference report?

Mr. SWEET. That is all.

Mr. GARRETT of Tennessee. The conferees are discharged, the Senate having acted first?

Mr. SWEET. Yes. It is simply the question of adopting the report.

Mr. GARRETT of Tennessee. Will not the gentleman move the previous question?

Mr. SWEET. I understand a number of Members would like to be heard.

Mr. BLANTON. Mr. Speaker, will the gentleman yield for a moment to enable me to answer the question of the gentleman from Tennessee?

Mr. CHALMERS. Mr. Speaker, I suggest that we vote on the bill and let gentlemen extend their remarks in the Record.

Mr. BUTLER. Let us have a vote.

Mr. BLANTON. Mr. Speaker, will the gentleman from Iowa yield?

Mr. SWEET. Yes.

Mr. BLANTON. The Senate amendment, numbered 56, was added to this bill, which provided that "when an ex-service man is so helpless as to be in constant need of a nurse or attendant he should be allowed \$50 per month to pay that attendant. The House conferees disagreed to that amendment and caused the Senate to recede from it, so that under the present situation of this conference report, if it is adopted as it is now, it will permit an ex-service man who is absolutely helpless on his back and who is in need of a constant attendant to have only \$20 with which to pay the nurse or attendant, which is absolutely insufficient and will deprive him of a nurse, as he can not get one for \$20 per month. Therefore as one Member I think that in behalf of our ex-service men in that helpless condition we ought to vote down this conference report and send the bill back to conference and have that Senate amendment numbered 56 adopted. With this Senate amendment 56 adopted I am heartily in favor of the bill, as I supported it in the House, but if the previous question is ordered I am going to vote against this conference report as a protest against this inequitable provision of allowing only \$20 for a nurse.

Mr. GARRETT of Tennessee. The gentleman knows very well we can not recommit the report.

Mr. BLANTON. We can vote it down, and then we can amend this provision. That is the only way to amend it. Vote down the conference report.

Mr. GARRETT of Tennessee. The gentleman from Texas wants to take the responsibility of voting it down?

Mr. BLANTON. It could be fixed up and passed in six hours. I am in favor of doing that in behalf of the helpless ex-service men who are now on their backs without nurses and attendants.

Mr. MONDELL. Mr. Speaker, will the gentleman from Iowa yield?

Mr. SWEET. I do.

Mr. MONDELL. What is the estimated cost per annum of all of the activities for ex-service men, as they will be concentrated in one organization under this act?

Mr. SWEET. Under this new bureau?

Mr. MONDELL. Yes.

Mr. SWEET. About \$480,000,000 a year.

Mr. MONDELL. I noticed the other day a statement from the Treasury Department in the sum of \$500,000,000. That is only \$20,000,000 more than the gentleman's estimate, so I assume that estimate is based upon a pretty careful consideration of the items of cost.

Mr. SWEET. I imagine it is, and my statement is based on the estimate prepared by the War Risk Insurance Bureau, made at the Treasury Department.

Mr. MONDELL. Can the gentleman tell us the actual expenditure during the fiscal year that ended July 1 for and in behalf of all these activities—insurance, compensation, vocational training, hospitalization, and so forth? What was the actual expenditure for the year?

Mr. SWEET. Generally speaking, about \$460,000,000.

Mr. MONDELL. Then the gentleman estimates an increase of only \$20,000,000?

Mr. SWEET. About \$20,000,000. The estimate varies from \$14,500,000 to \$20,000,000 by which this bill will increase the benefits to disabled ex-service men of the country.

Mr. MONDELL. That is, assuming the same number of men receiving benefits, the cost would be \$20,000,000 more?

Mr. SWEET. About that.

Mr. MONDELL. And your estimate of the cost is based on the present number of men receiving and applying for vocational training and for aid?

Mr. SWEET. Yes.

Mr. CANNON. I wish the gentleman from Wyoming would ask the gentleman from Iowa an additional question—how much goes for administration? I am not speaking now of the amount that goes to the beneficiaries.

Mr. MONDELL. The gentleman from Iowa will yield to the gentleman from Illinois to ask him that question.

Mr. SWEET. I yield to the gentleman from Illinois.

Mr. CANNON. What I want to know is how much of this goes to the soldiers and how much goes for administration?

Mr. SWEET. About \$13,000,000, or a little over, goes to administration.

Mr. CANNON. Is there anything in the hearings that will educate us on this subject of administration?

Mr. SWEET. Well, it is stated in the hearings and in the statement that I made to the House when this bill was discussed, covering the question of administration, insurance, compensation, allowances, allotments, and all matters pertaining to service benefits, vocational training, and hospitals.

Mr. CANNON. And that was given in detail?

Mr. SWEET. That was given in detail.

Mr. DOWELL. Mr. Speaker, will the gentleman yield for a question?

Mr. SWEET. I yield to the gentleman from Iowa.

Mr. DOWELL. As to this \$20,000,000 additional, represented by this bill, all of that goes to the ex-service men?

Mr. SWEET. It does, practically.

Mr. DOWELL. There is no additional expense, so far as administration is concerned?

Mr. SWEET. A small amount of that \$20,000,000 will be for administration.

Mr. DOWELL. And the balance will be additional assistance to the ex-service men?

Mr. SWEET. It will.

Mr. MONDELL. Now, Mr. Speaker, if the gentleman from Iowa will give me one minute—

Mr. GARRETT of Tennessee. Will not the gentleman move the previous question?

Mr. RAYBURN. If the gentleman is not going to move the previous question I think there should be some arrangement as to the division of time.

Mr. MONDELL. Let me just say this, Mr. Speaker: People who are not familiar with what Congress has done for its gallant defenders, the men who served the country so splendidly in the Great War, have at one time and another very severely criticized the Congress for alleged lack of interest in behalf of these men and for failure to provide for them. Mr. Speaker, the very statement of the fact that we are now expending about \$475,000,000 per year for and on behalf of these men, and that practically all of this money is going directly to the men or being used directly for their benefit, ought to be an answer in itself to those who have criticized the Congress. [Applause.]

But more than that, Mr. Speaker, those who have known of the splendid work that has been done, of the great efforts that have been put forth on behalf of our ex-soldiers, know that what has been done for them, what has been accomplished for them, is much more than can be measured by even this enormous expenditure. At no time in the history of the world, nowhere on earth, have the defenders of a nation ever been treated with the generosity with which the injured and disabled soldiers of the late war have been treated.

They are worthy of it. It is their right. We are all glad to vote for these great appropriations for them; but as we do so I hope the country will remember that the Congress and the Nation have been more generous to these soldiers than any other people have been to their defenders in all the tide of time. [Applause.]

Mr. BRIGGS. Will the gentleman yield for a question?

Mr. GARRETT of Tennessee. Will the gentleman yield to me?

Mr. SWEET. I yield to the gentleman from Tennessee [Mr. GARRETT].

Mr. GARRETT of Tennessee. I do not think the gentleman from Wyoming was very happy in using the word "generous." I think that we are only paying a just due. I do not like to think of these things as a matter of generosity. I like to think of them as paying an obligation to the saviors of the country. [Applause.]

I hope the gentleman from Iowa will move the previous question.

Mr. SWEET. Mr. Speaker, I have many demands for time, and I must either reject them all or grant them all. I move the previous question.

The SPEAKER pro tempore. The gentleman from Iowa moves the previous question.

The question was taken, and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. BLANTON. I ask for a division on that, Mr. Speaker. We will see whether they will give \$20 a month for a nurse to a poor helpless soldier.

The SPEAKER pro tempore. The gentleman from Texas demands a division.

The House divided and there were—ayes 185, noes 13.

Mr. BLANTON. Mr. Speaker, I object to the vote, because it shows that there is no quorum present, and I make the point of order that there is no quorum present.

The SPEAKER pro tempore. The gentleman from Texas makes the point of order that there is no quorum present. The Chair will count.

Mr. MONDELL. There is clearly a quorum present.

Mr. BLANTON. Oh, well, the gentleman from Wyoming would like to have the vote taken that way next year, and if he does he will be elected to the Senate.

The SPEAKER pro tempore (after counting). Two hundred and twenty-two Members present, a quorum. The previous question is ordered.

Mr. LINEBERGER. Will the gentleman from Iowa yield for a question?

The SPEAKER pro tempore. The previous question is ordered. The question is on the passage of the bill.

Mr. GARRETT of Tennessee. Upon that, Mr. Speaker, I ask for the yeas and nays.

The SPEAKER pro tempore. The gentleman from Tennessee demands the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 268, nays 4, not voting 159, as follows:

YEAS—268.

Ackerman	Echois	Lankford	Robson
Almon	Elliot	Larsen, Ga.	Rodenberg
Andrews	Elston	Larson, Minn.	Rogers
Ansorge	Evans	Lawrence	Rose
Appieby	Fairfield	Lazaro	Rossdale
Arentz	Faust	Lea, Calif.	Ryan
Aswell	Fess	Leatherwood	Sanders, Ind.
Bacharach	Fisher	Lee, Ga.	Sanders, Tex.
Barkley	Focht	Leibach	Sandlin
Begg	Fordney	Little	Scott, Mich.
Bell	Foster	Logan	Scott, Tenn.
Benham	Frear	Longworth	Sears
Bird	Free	Lowrey	Shaw
Bixler	French	Luhning	Shelton
Black	Frthingham	McArthur	Shreve
Bond	Fulmer	McCormick	Sinclair
Bowers	Funk	McDuffie	Sinnot
Bowling	Garner	McFadden	Sisson
Box	Garrett, Tenn.	McKenzie	Smith, Idaho
Brand	Garrett, Tex.	McLaughlin, Mich.	Smith, Mich.
Briggs	Gensman	McLaughlin, Nebr.	Speaks
Brooks, Pa.	Germer	McPherson	Sproul
Brown, Tenn.	Goodykoontz	McSwain	Stegall
Buchanan	Gorman	Madden	Stedman
Burke	Graham, Pa.	Mapes	Steenerson
Burtness	Green, Iowa	Martin	Stephens
Burton	Greene, Mass.	Michener	Strong, Kans.
Butler	Greene, Vt.	Miller	Summers, Wash.
Byrnes, S. C.	Griest	Millspaugh	Summers, Tex.
Byrns, Tenn.	Griffin	Mondell	Swank
Cable	Hadley	Montoya	Sweet
Campbell, Kans.	Hammer	Moore, Va.	Swing
Campbell, Pa.	Hardy, Colo.	Moore, Ind.	Taylor, Tenn.
Cannon	Hardy, Tex.	Morgan	Temple
Carew	Haugen	Mott	Ten Eyck
Carter	Hawley	Murphy	Thomas
Chalmers	Hayden	Nelson, A. P.	Thompson
Chandler, N. Y.	Hays	Nelson, J. M.	Tillman
Chandler, Okla.	Herrick	Newton, Minn.	Tilson
Clague	Hersey	Newton, Mo.	Timberlake
Clarke, N. Y.	Hickey	Norton	Tincher
Clouse	Hicks	O'Connor	Towner
Cole, Iowa	Hill	Oldfield	Treadway
Cole, Ohio	Hoch	Oliver	Tyson
Collier	Houghton	Overstreet	Vestal
Collins	Hukriede	Padgett	Vinson
Colton	Hull	Park, Ga.	Voigt
Connally, Tex.	Hutchinson	Parks, Ark.	Volstead
Connell	Ireland	Parrish	Walters
Connolly, Pa.	Jacoway	Patterson, Mo.	Ward, N. C.
Cooper, Wis.	Jefferis, Nebr.	Perkins	Watson
Coughlin	Johnson, Ky.	Pringle	Weaver
Crisp	Johnson, Miss.	Purnell	Webster
Crowther	Johnson, Wash.	Quin	White, Kans.
Cullen	Jones, Tex.	Radcliffe	White, Me.
Curry	Kahn	Raker	Williams
Dale	Kearns	Ramseyer	Wilson
Darrow	Kincheloe	Rankin	Wingo
Davis, Minn.	King	Ransley	Wise
Davis, Tenn.	Kinkaid	Rayburn	Wood, Ind.
Denison	Kissel	Reavis	Woodruff
Dowell	Kline, N. Y.	Reece	Woodyard
Driver	Kline, Pa.	Rhodes	Wright
Dunbar	Kopp	Ricketts	Wurzbach
Dunn	Kraus	Riddick	Yates
Dupré	Langley	Roach	Young
Dyer	Lanham	Robertson	Zihlman

NAYS—4.

Blanton	Fish	Lineberger	Rosenbloom
Anderson	Boies	Chindblom	Deal
Anthony	Brennan	Christopherson	Dempsey
Atkeson	Brinson	Clark, Fla.	Dickinson
Bankhead	Britten	Classon	Dominick
Barbour	Brooks, Ill.	Cockran	Doughton
Beck	Browne, Wis.	Codd	Drane
Beedy	Bulwinkle	Cooper, Ohio	Drewry
Blakeney	Burdick	Copley	Edmonds
Bland, Ind.	Burroughs	Cramton	Ellis
Bland, Va.	Cantrill	Dallinger	Fairchild

NOT VOTING—159.

Favrot	Kendall	Montague	Siegel
Fenn	Kennedy	Moore, Ill.	Siemp
Fields	Ketcham	Moore, Ohio	Smithwick
Fitzgerald	Kiess	Morin	Snell
Flood	Kindred	Mudd	Snyder
Freeman	Kirkpatrick	Nolan	Stafford
Fuller	Kitchin	O'Brien	Stevenson
Gahn	Klecza	Ogden	Stiness
Gallivan	Knight	Olpp	Stoll
Gilbert	Knutson	Osborne	Strong, Pa.
Glynn	Kreider	Palge	Sullivan
Goldsborough	Kunz	Parker, N. J.	Tague
Gould	Lampert	Parker, N. Y.	Taylor, Ark.
Graham, Ill.	Layton	Patterson, N. J.	Taylor, Colo.
Harrison	Lee, N. Y.	Perlman	Taylor, N. J.
Hawes	Linthicum	Peters	Tinkham
Himes	London	Petersen	Underhill
Hogan	Luce	Porter	Upshaw
Huddleston	Lyon	Pou	Vaile
Hudspeth	McClintic	Rainey, Ala.	Vare
Humphreys	McLaughlin, Pa.	Rainey, Ill.	Volk
Husted	MacGregor	Reber	Walsh
James, Mich.	Magee	Reed, N. Y.	Ward, N. Y.
James, Va.	Maloney	Reed, W. Va.	Wason
Jeffers, Ala.	Mann	Riordan	Wheeler
Johnson, S. Dak.	Mansfield	Rouse	Williamson
Jones, Pa.	Mead	Rucker	Winslow
Keller	Merritt	Sabath	Woods, Va.
Kelley, Mich.	Michaelson	Sanders, N. Y.	Wyant
Kelly, Pa.	Mills	Schall	

So the conference report was agreed to.

The following additional pairs were announced:

Until further notice:

Mr. VARE with Mr. UPSHAW.

Mr. LUCE with Mr. GOLDSBOROUGH.

Mr. BRENNAN with Mr. FAVROT.

Mr. KIRKPATRICK with Mr. LYON.

Mr. KNUTSON with Mr. CLARK of Florida.

Mr. JONES of Pennsylvania with Mr. CANTRILL.

Mr. DICKINSON with Mr. SABATH.

Mr. MOORE of Ohio with Mr. DEAL.

Mr. EDMONDS with Mr. MCCLINTIC.

Mr. MUDD with Mr. SMITHWICK.

Mr. LEE of New York with Mr. JEFFERS of Alabama.

Mr. VAILE with Mr. MANSFIELD.

Mr. GLYNN with Mr. TAYLOR of Arkansas.

Mr. LONDON. Mr. Speaker, I wish to vote "aye."

The SPEAKER pro tempore. Was the gentleman in the Hall listening when his name should have been called?

Mr. LONDON. Only a part of the time.

The SPEAKER pro tempore. Was the gentleman listening when his name should have been called?

Mr. LONDON. No.

The SPEAKER pro tempore. The gentleman does not qualify.

The result of the vote was announced as above recorded.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted to Mr. CHINDBLOM indefinitely, on account of illness.

Mr. GORMAN. Mr. Speaker, I wish to announce that my colleague, Mr. CHINDBLOM, who is confined to his home on account of illness, desires me to state that if he were present he would have voted for the conference report.

Mr. WILLIAMS. Mr. Speaker, I desire to make the same announcement for my colleague, Mr. WHEELER.

Mr. FESS requested leave of absence for Mr. FITZGERALD until August 21 on account of having been ordered to report for camp duty at Camp Knox from July 30 to August 31.

The SPEAKER pro tempore. Is there objection? (After a pause.) The Chair hears none.

Mr. BLANTON. Mr. Speaker, the Chair is mistaken; there is objection. As to a personal request for leave of absence for a Congressman who has been ordered from Congress to camp in peace time, I want to ask the Chair whether or not there is any power that can take a Member of Congress away from his duties in peace time to a military camp?

The SPEAKER. The Chair heard no objection made.

Mr. BLANTON. I was on my feet objecting and clamoring for recognition.

Mr. GARRETT of Tennessee. Mr. Speaker, I was not aware of the fact that the gentleman from Texas was going to enter upon that question, but I do think that presents a pretty serious question. There was no objection made during the war time. I would appreciate it if the Chair would be good enough to withdraw that request from the desk at this time and lay it before the House at a later date.

Mr. GREENE of Vermont. Will the gentleman allow a suggestion?

Mr. GARRETT of Tennessee. Yes.

Mr. GREENE of Vermont. I think if the gentleman will examine the law he will find that the form in which this request for leave is made does not altogether represent the exact status of our colleague. I do not think he has been taken by force of

arms, by mandate of the War Department, or by the scruff of the neck, against his will.

Mr. GARRETT of Tennessee. Mr. Speaker, during the time of the war none of us objected to Members of the House being absent on military duty. Probably it ought to have been objected to then, but no objection was made either for officers or for those who were privates. Nevertheless there is involved a very grave question—the mingling of the military and civil authorities. I do not wish to be ungracious in any sort of way, but I would be very glad if the Speaker would withdraw that for a time and let us think it over.

Mr. GREENE of Vermont. If the gentleman will permit me, I think he will find that the request is probably rather crudely worded. It does not represent the actual status of this gentleman in his relation to the War Department.

Mr. BLANTON. If the gentleman will yield, the newspaper states that the War Department had ordered the Congressman to camp and the Congressman in obedience to his duty had gone.

Mr. GREENE of Vermont. I do not want to suggest what the brother may have had in his mind, but I want to say that the War Department orders no reserve officers to duty in time of peace without his own consent.

The SPEAKER pro tempore. The Chair heard no objection when he put the question, but the gentleman from Tennessee [Mr. GARRETT] asks unanimous consent that the matter be withdrawn and disposed of at a later date.

Mr. BLANTON. Mr. Speaker, I was on my feet to make the objection, and I addressed the Chair as soon as I could before he put the question.

Mr. GREENE of Vermont. Mr. Speaker, has the House the power to give a man leave of absence in the first place, and if it has not, how can it do so by action of a committee?

The SPEAKER pro tempore. The Chair believes that the House has the right to grant a leave of absence, and that is what is asked for in this request. The Chair did not understand that the gentleman from Texas was making his objection at the time when the statement was made by the Chair.

Mr. BLANTON. Yes; Mr. Speaker, I was on my feet to object and I rose immediately, trying in the confusion to get recognition of the Chair.

The SPEAKER pro tempore. The Chair feels in view of the statement of the gentleman from Texas [Mr. BLANTON] that he was on his feet to make an objection, although the Chair failed to hear it; is there any objection to the request?

Mr. BLANTON. I object.

Mr. GARRETT of Tennessee. Mr. Speaker, I desire to make a privileged motion.

Mr. BEGG. Mr. Speaker, I desire to make a unanimous-consent request.

Mr. GARRETT of Tennessee. Mr. Speaker, I move that the request of the gentleman from Ohio [Mr. FITZGERALD] be referred to a committee of three to be appointed by the Chair, to determine—

Mr. MONDELL. Mr. Speaker, that is not in order, because the request is not before the House. It has been objected to, and that ends it.

Mr. McARTHUR. Mr. Speaker, I demand the regular order.

The SPEAKER pro tempore. Has the gentleman from Tennessee completed his motion?

Mr. GARRETT of Tennessee. Mr. Speaker, I move that a committee of three—

Mr. MONDELL. Mr. Speaker, I move that the House—

Mr. SWEET. Mr. Speaker, I ask unanimous consent that Members of the House—

Mr. GARRETT of Tennessee. Mr. Speaker, I do not yield for that.

Mr. SWEET. Be granted three legislative days in which to extend their remarks on the bill H. R. 6611.

Mr. GARRETT of Tennessee. Mr. Speaker, I object.

ADJOURNMENT.

Mr. MONDELL. Mr. Speaker, I move that the House do now adjourn.

The SPEAKER. The gentleman from Wyoming moves that the House do now adjourn.

Mr. GARRETT of Tennessee. Mr. Speaker, can the gentleman from Wyoming take me off my feet when I am in process of making a motion?

The SPEAKER pro tempore. He may on his motion to adjourn.

Mr. DOWELL. Mr. Speaker, I demand the regular order.

The SPEAKER pro tempore. The question is on the motion of the gentleman from Wyoming that the House do now adjourn.

The question was taken; and on a division (demanded by Mr. GARRETT of Tennessee) there were—ayes 102, noes 61.

Mr. GARRETT of Tennessee. Mr. Speaker, I demand the yeas and nays.

Mr. BLANTON. Pending that I make the point of order that there is no quorum present.

The SPEAKER pro tempore. The gentleman from Tennessee demands the yeas and nays. Those seconding the demand for the yeas and nays will rise and stand until counted. [After counting.] Evidently a sufficient number, and the yeas and nays are ordered. The question is on the motion of the gentleman from Wyoming that the House do now adjourn.

The question was taken; and there were—yeas 144, nays 65, answered "present" 3, not voting 219, as follows:

YEAS—144.

Ackerman	Fess	Lehlbach	Shaw
Ansorge	Focht	Little	Shelton
Appleby	Foster	Longworth	Shreve
Arentz	Frear	McCormick	Sinclair
Bacharach	French	McLaughlin, Nebr.	Sinnott
Begg	Frothingham	McPherson	Smith, Idaho
Benham	Germer	Mapes	Smith, Mich.
Bird	Goodykoontz	Michener	Speaks
Bixler	Gorman	Miller	Sproul
Bond	Green, Iowa	Mondell	Steenerson
Bowers	Greene, Mass.	Montoya	Stephens
Brooks, Pa.	Greene, Vt.	Moore, Ind.	Strong, Kans.
Burke	Griest	Morgan	Summers, Wash.
Burtess	Hadley	Murphy	Swing
Cable	Hardy, Colo.	Nelson, A. P.	Taylor, Tenn.
Campbell, Kans.	Haugen	Nelson, J. M.	Temple
Cannon	Hawley	Newton, Minn.	Thompson
Chalmers	Herrick	Norton	Tilson
Chandler, Okla.	Hickey	Perkins	Timberlake
Clarke, N. Y.	Hicks	Pringle	Tricher
Cole, Iowa	Hill	Purnell	Towner
Cole, Ohio	Hoch	Radcliffe	Treadway
Colton	Houghton	Ramseyer	Volstead
Connell	Hutchinson	Ransley	Walters
Connolly, Pa.	Ireland	Reece	Watson
Cooper, Wis.	Jefferis, Nebr.	Rhodes	Weaver
Coughlin	Kearns	Ricketts	Webster
Curry	King	Riddick	White, Kans.
Dale	Kissel	Roach	White, Me.
Darrow	Kline, N. Y.	Robertson	Wood, Ind.
Denison	Kline, Pa.	Robison	Woodruff
Dowell	Kopp	Rogers	Woodyard
Dunbar	Kraus	Rose	Wurzbach
Dunn	Larson, Minn.	Rossdale	Yates
Echols	Lawrence	Sanders, Ind.	Young
Evans	Leatherwood	Scott, Mich.	Zihlman

NAYS—65.

Almon	Garner	Logan	Sanders, Tex.
Barkley	Garrett, Tenn.	London	Sandlin
Bell	Griffin	McClintic	Sears
Blanton	Hammer	McDuffie	Sisson
Bowling	Hardy, Tex.	McSwain	Smithwick
Box	Hayden	Martin	Steagall
Brand	Jacoway	Moore, Va.	Swank
Briggs	Johnson, Ky.	O'Connor	Sweet
Byrnes, S. C.	Jones, Tex.	Oldfield	Tyson
Carew	Kincheleoe	Oliver	Vestal
Collier	Lanham	Overstreet	Ward, N. C.
Connally, Tex.	Lankford	Park, Ga.	Wilson
Crisp	Larsen, Ga.	Parrish	Wingo
Davis, Tenn.	Lazaro	Quin	Wright
Dupré	Lea, Calif.	Raker	
Fisher	Lee, Ga.	Rankin	
Fulmer	Lineberger	Rayburn	

ANSWERED "PRESENT"—3.

McArthur

McLaughlin, Mich. Williams

NOT VOTING—219.

Anderson	Collins	Gilbert	Knutson
Andrews	Cooper, Ohio	Glynn	Kreider
Anthony	Copley	Goldsborough	Kunz
Aswell	Cramton	Gould	Lampert
Atkeson	Crowther	Graham, Ill.	Langley
Bankhead	Cullen	Graham, Pa.	Layton
Barbour	Dallinger	Harrison	Lee, N. Y.
Beck	Davis, Minn.	Haws	Linthicum
Beedy	Deal	Hays	Lowrey
Black	Dempsey	Hersey	Luce
Blakeney	Dickinson	Himes	Luhning
Bland, Ind.	Domink	Hogan	Lyon
Bland, Va.	Doughton	Huddleston	McFadden
Boles	Draue	Hudspeth	McKenzie
Brennan	Drewry	Hukriede	McLaughlin, Pa.
Brinson	Driver	Hull	MacGregor
Britten	Dyer	Humphreys	Madden
Brooks, Ill.	Edmonds	Husted	Magee
Brown, Tenn.	Elliott	James, Mich.	Maloney
Browne, Wis.	Ellis	James, Va.	Mann
Buchanan	Elston	Jeffers, Ala.	Mansfield
Bulwinkle	Fairchild	Johnson, Miss.	Mead
Burdick	Fairfield	Johnson, S. Dak.	Merritt
Burroughs	Faust	Johnson, Wash.	Michaelson
Burton	Fayot	Jones, Pa.	Mills
Butler	Fenn	Kahn	Millsbaugh
Byrnes, Tenn.	Fields	Keller	Montague
Campbell, Pa.	Fish	Kelley, Mich.	Moore, Ill.
Cantrill	Fitzgerald	Kelly, Pa.	Moore, Ohio
Carter	Flood	Kendall	Morin
Chandler, N. Y.	Fordney	Kennedy	Mott
Chindblom	Free	Ketcham	Mudd
Christopherson	Freeman	Kless	Newton, Mo.
Clague	Fuller	Kirkpatrick	Nolan
Clark, Fla.	Funk	Kirkpatrick	O'Brien
Classon	Gahn	Kitchin	Ogden
Clouse	Gallivan	Kleczka	Olpp
Cockran	Garrett, Tex.	Knight	Osborne
Codd	Gensman		Padgett

Paige	Reed, W. Va.	Stedman	Upshaw
Parker, N. J.	Riordan	Stevenson	Vaile
Parker, N. Y.	Rosenberg	Stiness	Vare
Parks, Ark.	Rosenbloom	Stoll	Vinson
Patterson, Mo.	Rouse	Strong, Pa.	Voigt
Patterson, N. J.	Rucker	Sullivan	Volk
Perlman	Ryan	Summers, Tex.	Walsh
Peters	Sabath	Tague	Ward, N. Y.
Petersen	Sanders, N. Y.	Taylor, Ark.	Wason
Porter	Schall	Taylor, Colo.	Wheeler
Pou	Scott, Tenn.	Taylor, N. J.	Williamson
Rainey, Ala.	Siegel	Ten Eyck	Winslow
Rainey, Ill.	Slemp	Thomas	Wise
Reavis	Snell	Tillman	Woods, Va.
Reber	Snyder	Tinkham	Wyant
Reed, N. Y.	Stafford	Underhill	

So the motion to adjourn was agreed to.

The Clerk announced the following additional pairs:

Until further notice:

Mr. BUTLER with Mr. PADGETT.

Mr. FREE with Mr. BYRNS of Tennessee.

Mr. HUKRIEDE with Mr. THOMAS.

Mr. WASON with Mr. CARTER.

Mr. RODENBERG with Mr. GARRETT of Texas.

Mr. PATTERSON of Missouri with Mr. COLLINS.

Mr. DAVIS of Minnesota with Mr. ASWELL.

Mr. LAYTON with Mr. STEDMAN.

Mr. FAUST with Mr. JOHNSON of Mississippi.

Mr. REAVIS with Mr. PARKS of Arkansas.

Mr. NEWTON of Missouri with Mr. TILLMAN.

Mr. LUHRING with Mr. SUMMERS of Texas.

Mr. HAYES with Mr. CAMPBELL of Pennsylvania.

Mr. KENDALL with Mr. TEN EYCK.

Mr. MILLSAUGH with Mr. VINSON.

Mr. MALONEY with Mr. LOWREY.

Mr. DYER with Mr. CULLEN.

Mr. FORDNEY with Mr. BLACK.

The result of the vote was announced as above recorded.

Accordingly (at 4 o'clock and 56 minutes p. m.) the House adjourned until to-morrow, Wednesday, August 3, 1921, at 12 o'clock noon.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. RHODES, from the Committee on Mines and Mining, to which was referred the bill (S. 843) to amend section 5 of the act approved March 2, 1919, entitled "An act to provide relief in cases of contracts connected with the prosecution of the war, and for other purposes," reported the same with an amendment, accompanied by a report (No. 325), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. MILLER, from the Committee on Military Affairs, to which was referred the bill (H. R. 5768) to amend and correct the military record of Alvah B. Doble, reported the same without amendment, accompanied by a report (No. 323), which said bill and report were referred to the Private Calendar.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 6893) granting a pension to Alvin E. Briggs; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

A bill (H. R. 7990) granting a pension to Daniel Lynch; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. MCCLINTIC: A bill (H. R. 8037) to amend an act approved February 24, 1919, entitled "An act to provide revenue, and for other purposes," providing an additional exemption for soldiers, sailors, and marines who served in the World War and received an honorable discharge; to the Committee on Ways and Means.

By Mr. JOHNSON of Washington: A bill (H. R. 8038) authorizing the Secretary of War to exchange certain timber easements on the Camp Lewis Military Reservation, Wash.; to the Committee on Military Affairs.

By Mr. BUTLER: A bill (H. R. 8039) to redistribute the number of offices in the several grades of the Supply Corps of the Navy; to the Committee on Naval Affairs.

Also, a bill (H. R. 8040) regarding officers of the Marine Corps accountable for public moneys, and for other purposes; to the Committee on Naval Affairs.

Also, a bill (H. R. 8041) regarding clothing for discharged men in the Marine Corps discharged for bad conduct, and for other purposes; to the Committee on Naval Affairs.

Also, a bill (H. R. 8042) exempting all exchanges operated for the armed forces of the United States from taxes coming under the provisions of the revenue act of 1918; to the Committee on Ways and Means.

Also, a bill (H. R. 8043) furnishing transportation for dependents of officers and enlisted men of the Navy and Marine Corps under certain considerations; to the Committee on Naval Affairs.

By Mr. NEWTON of Minnesota: A bill (H. R. 8044) to amend an act entitled "An act to provide revenue, and for other purposes," approved February 24, 1919; to the Committee on Ways and Means.

Also, a bill (H. R. 8045) to amend an act entitled "An act to provide revenue, and for other purposes," approved February 24, 1919; to the Committee on Ways and Means.

By Mr. VARE: Joint resolution (H. J. Res. 182) providing for the compilation of statistics showing the number of Government employees in Washington who cast a vote at the last general election; to the Committee on the Census.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BUTLER: A bill (H. R. 8046) for the relief of Themis Christ; to the Committee on Naval Affairs.

By Mr. DEMPSEY: A bill (H. R. 8047) for the relief of Emons Johnson; to the Committee on Military Affairs.

By Mr. FRENCH: A bill (H. R. 8048) granting a pension to John A. Smith; to the Committee on Pensions.

By Mr. HAYS: A bill (H. R. 8049) granting a pension to Tabitha Hammons; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8050) granting a pension to Henry H. Hill; to the Committee on Invalid Pensions.

By Mr. HICKS: A bill (H. R. 8051) for the relief of the Commonwealth and Dominion Line (Ltd.), owner of the British steamship *Port Phillip*; to the Committee on War Claims.

By Mr. KAHN: A bill (H. R. 8052) for the relief of James H. Riley; to the Committee on Naval Affairs.

By Mr. KLINE of New York: A bill (H. R. 8053) for the relief of John E. Russell; to the Committee on War Claims.

By Mr. McCORMICK: A bill (H. R. 8054) granting a pension to Rose Edwards; to the Committee on Pensions.

By Mr. McLAUGHLIN of Michigan: A bill (H. R. 8055) to remove the charge of desertion from the military record of Benjamin F. Brown; to the Committee on Military Affairs.

By Mr. MURPHY: A bill (H. R. 8056) granting a pension to Elizabeth Ann Harrison; to the Committee on Invalid Pensions.

By Mr. REBER: A bill (H. R. 8057) granting an increase of pension to Elizabeth Williams; to the Committee on Pensions.

By Mr. ROBSION: A bill (H. R. 8058) for the relief of Annie E. Finnicum; to the Committee on War Claims.

By Mr. RIORDAN: A bill (H. R. 8059) for the relief of Helen Pennoyer Young; to the Committee on Claims.

By Mr. SANDERS of Indiana: A bill (H. R. 8060) granting an increase of pension to Nancy J. Kelliker; to the Committee on Invalid Pensions.

By Mr. WEAVER: A bill (H. R. 8061) for the relief of Laura E. Alexander; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

2242. By the SPEAKER (by request): Petition of the National Council of the Congregational Churches of the United States, urging the adoption of the Sterling bill or some similar measure looking to the establishment of a permanent commission with power to control and direct all immigration; to the Committee on Immigration and Naturalization.

2243. By Mr. BURTNESSE: Petition of 50 citizens of Cogswell, N. Dak., urging Congress to take the necessary action to bring about the recognition of the republic of Ireland by the Government of the United States; to the Committee on Foreign Affairs.

2244. Also, petition of 60 citizens of Fairmont, N. Dak., urging the recognition of the Irish republic by the Government of the United States; to the Committee on Foreign Affairs.

2245. Also, resolution of Ray R. Saunders and 314 others, members of North Dakota Conference of Seventh Day Adventists, protesting against passage of pending Sunday observance or blue law bills; to the Committee on the District of Columbia.

2246. By Mr. CRAMTON: Resolutions of the Michigan Milk Producers' Association, in session at Detroit, Mich., on July 22, urging the enactment into law of House bill 7459, the Fordney milk bill; to the Committee on Ways and Means.

2247. By Mr. DYER: Petition of the Independent Candy & Manufacturing Co. and 15 other concerns in Missouri, urging the repeal of the excise tax on candy imposed under the revenue act of 1918; to the Committee on Ways and Means.

2248. By Mr. JOHNSON of Washington: Petition of various citizens of Mason County, Wash., opposing House bill 4388; to the Committee on the District of Columbia.

2249. By Mr. KIESS: Petition of Bethany Presbyterian Church of Williamsport, Pa., relative to the situation in the Near East; to the Committee on Foreign Affairs.

2250. By Mr. KISSEL: Petition of William MacQueen, Joseph A. Popp, Charles Knausman, Martin J. Lang, George Erich, and Thomas S. Fibick, all of Brooklyn, N. Y., urging larger appropriations to be used in the building of ships at the New York Navy Yard; to the Committee on Appropriations.

2251. Also, petition of Fred Reifschneider, of Brooklyn, N. Y., urging relief for the people of the Near East; to the Committee on Foreign Affairs.

2252. Also, petition of New York Typographical Union, No. 6, of New York City, opposing the passage of House joint resolution 171; to the Committee on Immigration and Naturalization.

2253. By Mr. KNIGHT: Petition of residents of Portage County, Ohio, against House bill 4388; to the Committee on the District of Columbia.

2254. By Mr. SNYDER: Petition of Baptist churches of Ilion and Utica, N. Y., favoring the proposed constitutional amendment prohibiting sectarian appropriations; to the Committee on the Judiciary.

2255. By Mr. TEMPLE: Petition of officers of district No. 5, United Mine Workers of America, of Pittsburgh, Pa., protesting against the enactment of House joint resolution 171; to the Committee on Immigration and Naturalization.

2256. By Mr. YATES: Petition of Mrs. Florence F. Bohrer, of Bloomington, Ill., urging antilynching bill; to the Committee on the Judiciary.

2257. Also, petition of Chamber of Commerce of the United States of America, Washington, D. C., protesting against the elimination of the Federal Board for Vocational Education; to the Committee on Interstate and Foreign Commerce.

2258. Also, petition of the Mechanics' Homestead and Loan Association of Galesburg, Ill., by T. N. Swanson, secretary, urging an amendment to the Federal income tax law exempting persons whose investments in building and loan associations do not exceed \$500; to the Committee on Ways and Means.

2259. Also, petition of the Eisenkay Products Co., of Chicago, Ill., protesting against tariff on vegetable oils provided by the Fordney bill; to the Committee on Ways and Means.

2260. Also, petition of Sangamon County Bar Association, of Springfield, Ill., protesting against the creating of a new judicial district in the State; to the Committee on the Judiciary.

2261. By Mr. YOUNG: Resolution of the North Dakota Federation of Wool Growers' Associations, of Fargo, N. Dak., praying for more adequate tariff protection to the woolgrowers of the United States; to the Committee on Ways and Means.

SENATE.

WEDNESDAY, August 3, 1921.

(Legislative day of Wednesday, July 27, 1921.)

The Senate reassembled at 11 o'clock a. m., on the expiration of the recess.

The PRESIDING OFFICER (Mr. MOSES in the chair). The Senate, as in Committee of the Whole, resumes the consideration of the unfinished business, Senate bill 1915.

EXPORTATION OF FARM PRODUCTS.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 1915) to provide for the purchase of farm products in the United States, to sell the same in foreign countries, and for other purposes.

Mr. SMITH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Secretary will call the roll.